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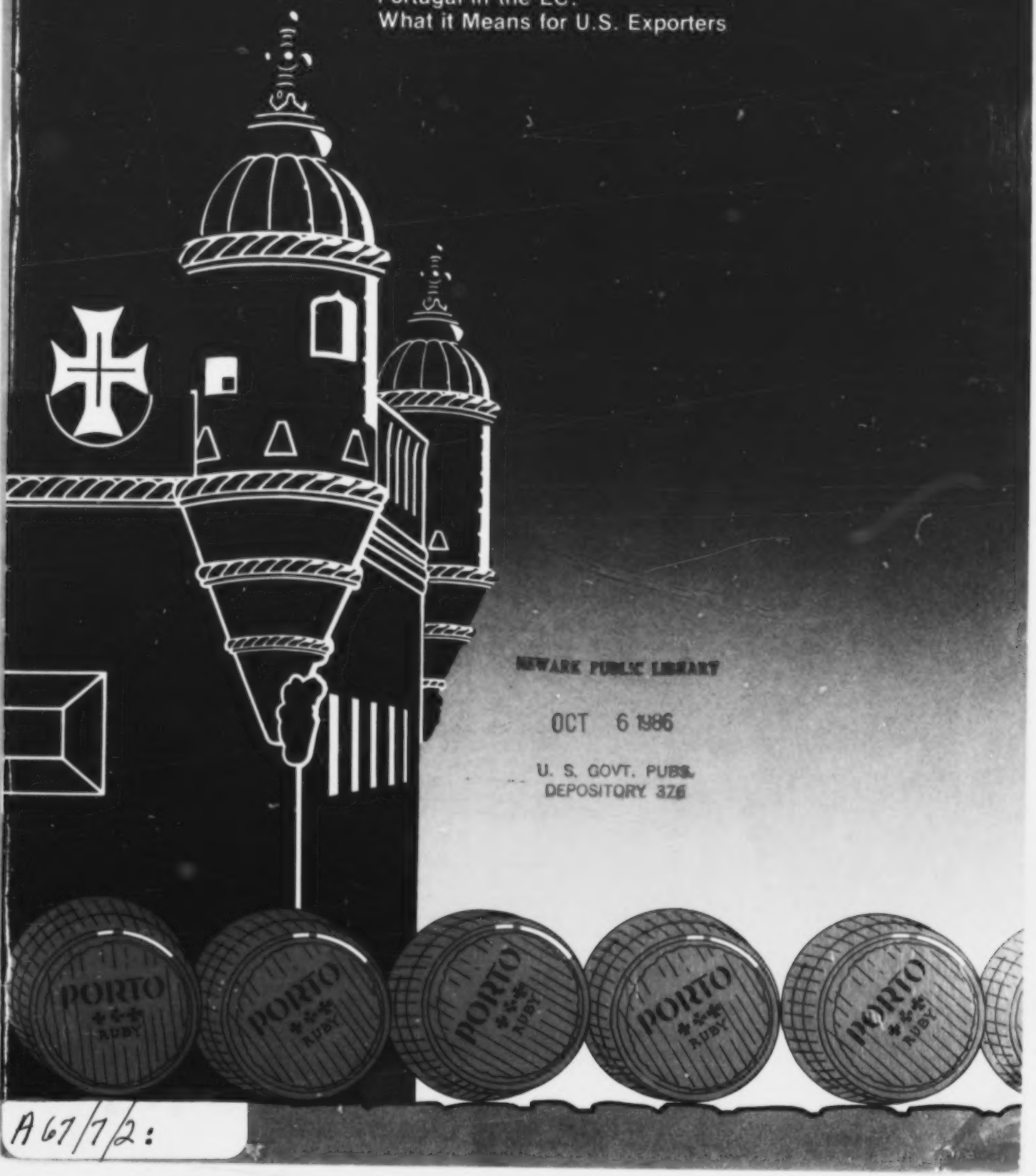
Portugal in the EC: What it Means for U.S. Exporters



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Marketing News

U.S. Cooperators Boost Barley Consumption in Tunisia

The **U.S. Feed Grains Council** and the **American Soybean Association** are in the second year of a promising program which encourages early weaning of Tunisian sheep to a diet of whole barley, soybean meal, vitamins and minerals. The program could revolutionize Tunisian sheep production through increased litter sizes, higher meat yields and more frequent lambing. It could also lead to expanded barley and soybean meal consumption. The cooperators are conducting similar programs for the dairy and beef sectors, also likely to increase consumption. Tunisia will purchase barley and soybean meal according to foreign aid availability, credit, price and subsidy programs.

New Storage Idea From APA in Europe

The **American Plywood Association (APA)** is undertaking an intensive promotional effort throughout Europe for its 1,100-liter plywood bin. The bin, a sturdy, reusable wooden container lined with an aseptic bag, is the result of considerable design and field efforts by Association engineers and U.S. bin fabricators. The bin was introduced to potential overseas users—producers and processors of liquid or semi-liquid agricultural goods—at the Technoconserve exhibition in Parma, Italy, in November 1985.

M. G. Robert Verhorst, based in APA's Antwerp office, represented the Association at the Technoconserve fair. He reports that the bin attracted much attention from the tomato paste industry, as well as from fruit crush, fruit concentrate and olive oil firms. Further inquiries have been received from European users on the possible use of the bins for animal fats and small fish. The bin also has many industrial packaging applications.

For design and other information on the bin, contact any of the APA's European offices, located in London (Tel. 01629-3437), Antwerp (Tel. 3 449 6472) and Hamburg (Tel. 40 353047).

Variety Meats Featured at MEF-Sponsored Dinner

Last spring, **U.S. Meat Export Federation** staff in Mexico held a dinner featuring U.S. beef and pork offals at the U.S. Ambassador's residence. The dishes, prepared by a renowned local chef, were of U.S. origin and included pate, tripe a la mode, head cheese, garlic salami, ox-tail soup, tongue gelee and pickled pork feet.

Attending the dinner were 35 of Mexico's food industry leaders, including importers, supermarket personnel, distributors and independent operators. The Mexican market for variety meats is a significant one, as Mexico imported 59,880 metric tons of variety meats from the United States in 1985.

USW Hosts Yugoslavian Wheat Marketing Conference

Future wheat trade between Eastern Bloc nations and the United States may be more promising as a result of a recent **U.S. Wheat Associates**–sponsored marketing conference in Yugoslavia. U.S. Wheat hosted the two-day round of information sessions for grain trade officials from Yugoslavia, Romania and Bulgaria. The sessions were aimed at outlining the current world supply and demand situation for wheat and providing foreign officials with the details they need to participate more fully in U.S. government export programs.

Among other items addressed at the conference were trends in world wheat consumption, the workings of the U.S. grain inspection system, current U.S. farm legislation and the role of U.S. farmer cooperatives in wheat export marketing. Of particular importance to the East Europeans were trends in financing wheat imports, the economic factors affecting ocean transportation, U.S. market opportunities for European products and the future role of long-term grain supply agreements.

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Managing Editor
Lynn K. Goldsbrough
(202) 382-9442

Design Director
Vincent Hughes

Writers
David Garten
Edwin N. Moffett
Robert Moser
Maureen Quinn
Aubrey C. Robinson
Jennifer M. Smith

Associate Designer
Sylvia Duerksen
Victor Newman

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Portugal's Accession: How Will It Affect Trade Ties With U.S.?

By Homer Sabatini

The accession of Portugal to the European Community (EC) on Jan. 1, 1986, has raised a number of questions about the future of U.S. agricultural trade with the Iberian Peninsula. U.S. exporters are concerned about the status of traditional exports as well as expansion in new product areas.

Many of the expected changes will be a result of the integration of Portugal's agriculture into that of the Community. Integration of Portugal's agricultural sector into that of the EC began March 1, 1986. About 85 percent of Portuguese agricultural production will have a two-stage transition period of five years each—10 years in all.

The major products in this group are grains, rice, dairy products, beef, pork, poultry and eggs, fresh fruits and vegetables and wine. For most of these products, EC rules are introduced gradually, and mostly after the end of the first period.

Another group of products, such as processed fruits and vegetables, tobacco, seeds, mutton, goat meat and cotton have a one-stage, seven-year transition period. For these products, the EC regime for imports from third countries was adopted upon accession, while alignment of duties will be gradual.

Fats and oils have a 10-year transition period with special limitations on seed oil consumption and oil and meal imports in effect during the first five years.

Impact of Accession on U.S. Farm Trade

The principal U.S. exports to Portugal—grains and oilseeds—are the very commodities that will be most adversely affected by Portugal's membership in the EC.

The Community's trade policy measures will erode the U.S. grain market and threaten to prevent the growth of Portugal's oilseed imports. On the other hand, Portuguese accession into the EC should not necessarily have an immediate and direct adverse impact on U.S. exports of commodities such as cotton, tallow, hides and skins.

In these cases, especially cotton, competition from other countries will generally outweigh EC trade impediments. (EC retaliatory measures against U.S. tallow imposed in response to U.S. action on EC steel do not apply to U.S. exports to Portugal.)

For a variety of U.S. exports, this is the likely scenario for trade in the near to medium term:

Grains and Rice

During the first phase of the transition period, Portugal is formally committed to buying at least 15 5 percent of its grain imports from the EC. It also must grant import levy preferences to the EC on an increasingly larger portion of its grain imports.

These preferences apply to the private portion of the grain trade, which is 20 percent of total grain imports in 1986 and an additional 20 percent in each of the following years.

Through 1990, the non-private imports will continue to be made by a government agency and will not be subject to an import levy. The levy on private imports is determined by bids on tenders opened by Portugal's grain commission. The firm that offers the highest levy wins the bid.

ESTAÇÃO VITI-VINÍCOLA
DO DOURO RIO TORTO

Since EC grain is higher priced than grain from third countries, importers of EC grain could not be expected to offer levies higher than those on imports from third countries.

Therefore, a corrective element has been introduced to offset the difference between the EC and the world price. In addition, imports from the EC have a preferential element of 5 ECUs per metric ton.

There is widespread feeling in Portuguese grain circles that the EC Commission could turn the corrective element into an additional preferential element. The first tender for 70,000 tons of corn by the private sector was opened in June.

In 1991, the Portuguese grain system will be fully integrated into that of the EC. Imports from third countries will pay the full EC levy while imports form the EC will be levy-free.

Corn is the principal U.S. export to Portugal. Through 1985, the United States was virtually the sole supplier of Portugal's corn imports, but Argentina made some sizable sales in January 1986. For the next few years, CCC credit, if available, should help the United States retain its predominant position in Portugal's corn import market.

However, in about two years, Portugal's use of corn could well drop by half from the 1984/85 level of 2 million tons because of increased use of non-grain feed ingredients and, more importantly, increased use of EC barley and feed wheat. Furthermore, corn from the EC will likely displace part of the imports from third countries.

The Portuguese government aims to reduce the country's dependence on corn and to re-orient livestock rations from corn to ingredients more prevalent in the rest of the EC. On the other hand, as Portugal tries to bring about this switch, for the next two or three years, there might be some limited export opportunities for U.S. barley and sorghum.

U.S.-Portuguese Trade

Portugal imports about 60 percent of its food needs and all its fiber requirements. With the help of USDA's Commodity Credit Corporation (CCC) credit programs, the United States was the largest supplier of agricultural products to Portugal prior to accession. In 1985, U.S. exports to Portugal were valued at $428 million, accounting for roughly 35 percent of the Portuguese import market.

The U.S. share was down from nearly half of Portugal's total farm imports just a year earlier. One of the primary reasons for the drop was high U.S. prices due to the strong U.S. dollar.

Although Portugal has less than 10 million people and the lowest per capita income in Western Europe (about $2,150 per year), during most of the past decade it was a major and growing market for U.S. agricultural products.

Two product groups—grains (including rice) and oilseeds—account for 92-93 percent of U.S. farm product exports to Portugal. Cotton, tallow, hides and skins and tobacco account for another 6-7 percent.

The remaining 1 percent or so consists of some 125 products or groups of products of varying degrees of importance.

The U.S. farm bill signed in December 1985, a weakened dollar and quality control measures should help restore U.S. competitiveness in the Portuguese market.

Nevertheless, while Portuguese farm imports should hold steady this year, the U.S. share of the import market will likely show a further drop because of new and serious trade impediments resulting from Portugal's accession to the EC.

Sales of corn gluten feed should also expand, if no policy restrictions are imposed. But the value of these anticipated gains, if they occur, will be far smaller than the anticipated loss in corn sales.

In wheat, the U.S. position as the predominant supplier will be gradually eroded by EC competition. Canada also entered the Portuguese wheat market recently. In 1986/87, the United States should still be able to supply about 80 percent of the import market if CCC credit remains available.

For the time being, Portuguese imports of U.S. hard red winter wheat (normally some 250,000 tons a year) should not be affected by Portugal's accession to the EC. However, for the longer term, the unknown factor is whether wheat gluten from the EC wil reduce the need for hard red winter wheat.

CCC credit, more competitive U.S. prices for the portion of imports not subject to the levy and promotional activity at the consumer level could help brighten prospects for U.S. rice, which have suffered considerably in recent months.

Oilseeds

Expansion of the Portuguese soybean market is threatened by EC-imposed quantitative restrictions on imports of oilseeds based on estimated Portuguese domestic consumption requirements for vegetable oils. These measures will be in place for the first five years after accession.

Based on an estimated domestic soybean oil consumption for food use requirement of 42,000 tons for March-December of this year, Portugal will be allowed to import 240,000 tons of soybeans without restrictions in 1986. Imports above this amount are permitted provided that all the oil produced is exported.

The EC also has introduced quotas on imports of oilmeals for domestic use (110,000 from third countries and 118,000 from the rest of the EC), but there are no restrictions on the domestic use of meal obtained from oilseeds crushed in Portugal.

The United States maintains that the quantitative restrictions on imports of oilseeds and products cannot be justified under the General Agreement on Tariffs and Trade. It also fears that the domestic soybean oil consumption quota could become restrictive. Because of these concerns, last May the United States introduced quotas of its own on imports of some EC products, including Portuguese wines.

However, the U.S. quotas will not be restrictive if the EC/Portuguese quotas are not. A future upward revision of the soybean quota is not excluded, as all quotas are subject to quarterly review.

The EC maintains that all these quantitative restrictions will be eliminated at the end of 1990, but extreme U.S. vigilance will be required to prevent the quotas from becoming restrictive and to make certain that they do not set a precedent for curbs on U.S. exports of soybeans and products to the entire EC.

In addition to policy constraints, the United States also faces strong competition from Argentina and Brazil in the Portuguese soybean market. The U.S. share of the market dropped from virtually 100 percent in 1983 to less than 50 percent in 1985.

It will be extremely hard to reverse this trend, but more competitive pricing and imaginative promotional initiatives might help. EC policies hinder overall market growth, but it will be up to the United States to regain the share of the market lost to foreign competition. The same considerations apply to sunflowerseed.

Cotton

Portugal is one of Europe's largest consumers of cotton and an important exporter of fabrics. Traditionally, the United States has supplied 10-14 percent of total raw cotton imports, but purchases of U.S. cotton came to a halt in the second half of 1985, mostly because of high U.S. prices.

Traders are confident that prospects will start to brighten this fall. With more competitive U.S. prices, a weakened dollar and stepped-up promotional activity, the United States should be able to regain part of its lost market share in 1986-87, and possibly enlarge it later on.

Livestock and Products

The main markets are likely to remain hides and skins and tallow, as well as sausage casings and semen. U.S. hides and skins are preferred to those of EC and domestic origin. Most imports are made through brokers in the Netherlands, with little direct contact between U.S. exporters and Portuguese importers.

Increased contacts and better credit terms (to match those offered by European competitors) could help boost U.S. sales. Imports of tallow vary widely from year to year, depending on local production.

In 1986/87, domestic production should be relatively high, but there may be stronger overall demand for tallow for exports of soap to other EC members.

Semen has been actively promoted. Though the total value is small, near-term prospects remain fairly good, and opportunities could develop for embryos.

High-Value Products

About 13 percent of Portugal's agricultural imports consist of processed products, but only about 3 percent of agricultural imports from the United States are in this category.

Actually, the share of processed products in Portugal's total farm imports has declined during the past decade as Portugal has developed its own oilseed crushing facilities.

Development of the market for high-value U.S. products will be an uphill struggle and a long-term proposition. Per capita income is low, and the country is small. U.S. exporters will have to be willing to respond to rather small orders and to do business with small companies with relatively little experience in international trade. EC suppliers will have a built-in advantage.

Furthermore, Portugal's entry into the EC could stimulate the development of food processing industries and production of high-priced horticultural crops, not just to service the small Portuguese market, but principally to export to the rest of Western Europe. Nevertheless, with appropriate promotional and follow-up activities, a small market for typically U.S. high-value products might gradually be developed. ■

The author is U.S. agricultural counselor in Lisbon.

Portugal at a Glance

Land

Some 92,000 square kilometers, including the Azores and Madeira Islands; 49 percent arable; 31 percent forest; 6 percent meadow and pasture; 14 percent waste, urban, inland water or other.

People

Population: 10,095,000 (July 1986), including the Azores and Madeira Islands, average annual growth rate 0.5 percent.

Language: Portuguese

Literacy: 80 percent.

Labor Force: 4.5 million (1984); 37 percent services; 36 percent industry; 27 percent agriculture; 10.6 percent unemployment (December 1984).

Government

Official name: Portuguese Republic.

Type: Republic, first government under new constitution formed July 1976.

Capital: Lisbon.

National holiday: April 25.

Economy

GNP: $19.2 billion (1984).

Agriculture: Generally underdeveloped; main crops—grains, potatoes, olives, grapes for wine; deficit foods—sugar, grain, meat, fish, oilseeds.

Major industries: Textiles and footwear, wood pulp, paper, cork, metalworking, oil refining, chemicals, fish canning, wine.

Exports: $5.2 billion (f.o.b., 1984); principal items—cotton textiles, cork and cork produts, canned fish, wine, timber and timber products, resin, machinery, appliances.

Imports: $7.8 billion (c.i.f., 1984); principal items—petroleum, cotton, industrial machinery, iron and steel, chemicals.

Major trading partners: 58 percent European Community, 9 percent United States, 2 percent Communist countries, 18 percent other developed countries, 11 percent less-developed countries.

California Table Grapes Enjoy A Great Year

By Scott Horsfall

Exporters of California table grapes just experienced a banner year in overseas markets. Export sales reached a new high during the past marketing year, breaking the old mark set in 1982. Such success doesn't happen overnight. This month, Scott Horsfall, director of advertising and foreign market development of the California Table Grape Commission, tells FOREIGN AGRICULTURE how the Commission works to bring high-quality U.S. table grapes to consumers around the world.

Q. How did the California Table Grape Commission come into existence and what role does it play in promoting exports?

A. The California Table Grape Commission is the marketing and promotion arm of California's fresh grape industry. Established in 1968, the Commission is a quasi-governmental organization which represents all of the state's growers of fresh table grapes.

The Commission's domestic advertising and merchandising programs are well known, but it has not overlooked the foreign marketplace. For almost as long as the Commission has been in existence, it has devoted an important part of its efforts to export promotion. Last season, we conducted promotional activities in 15 countries.

Q. How many members belong to your organization and how does the Commission help them with exporting?

A. The Commission represents all fresh grape producers in California, about 1,100 today. Exports are promoted through merchandising programs in many countries throughout the world. These programs are designed to increase demand for U.S. grapes in the target countries.

Q. How substantial is the export growth of California table grapes in recent years?

A. The table grape industry in California has just enjoyed its most successful export season ever. In 1985/86, some 38,479 metric tons of grapes were shipped to export markets, 58 percent more than the previous year and 24 percent more than the old record set in 1982.

The new record capped a decade of steady growth in table grape exports. Ten years ago, the U.S. grape industry exported just 15,985 tons of grapes to offshore markets. Since then, exports have grown at an average rate of 14 percent per season.

Q. What triggered last season's record export sales?

A. Although we'd love to say that the big increase in exports came as a direct result of our promotional campaigns, we must realistically look at a few other factors as well.

First of all, we saw a 30-percent reduction in the value of the U.S. dollar during the course of the 1985/86 marketing season. This helped boost exports dramatically, especially in markets like Europe and Japan where the strong dollar has been a constraint on sales for several seasons.

In addition, the huge domestic crop resulted in a lowering of shipping costs throughout the season. This served as a further price incentive to foreign buyers.

And we promoted more heavily than ever in 1985/86. New programs in Singapore, Malaysia and Taiwan, as well as increased activities in Japan, Hong Kong and Panama, helped push exports to each of these markets to record levels.

Q. Where are your largest export markets?

A. Hong Kong is far and away the leading export market for California table grapes. In 1985/86, we shipped over 18,000 tons of grapes to Hong Kong—a 104-percent increase over the previous season.

To put this in perspective, the per capita consumption of California table grapes in Hong Kong last year was 7.7 pounds. In the United States, the per capita consumption of *all* grapes—both domestic and imported—was only about 6 pounds.

Our other leading markets are also in the Far East, the region which has shown the most sustained export growth in recent years. Singapore, Taiwan, Japan and Malaysia are all expanding markets for California grapes.

In Central America, Panama continues to increase imports of fresh grapes despite economic and political uncertainties there.

Q. What about markets in Europe and elsewhere?

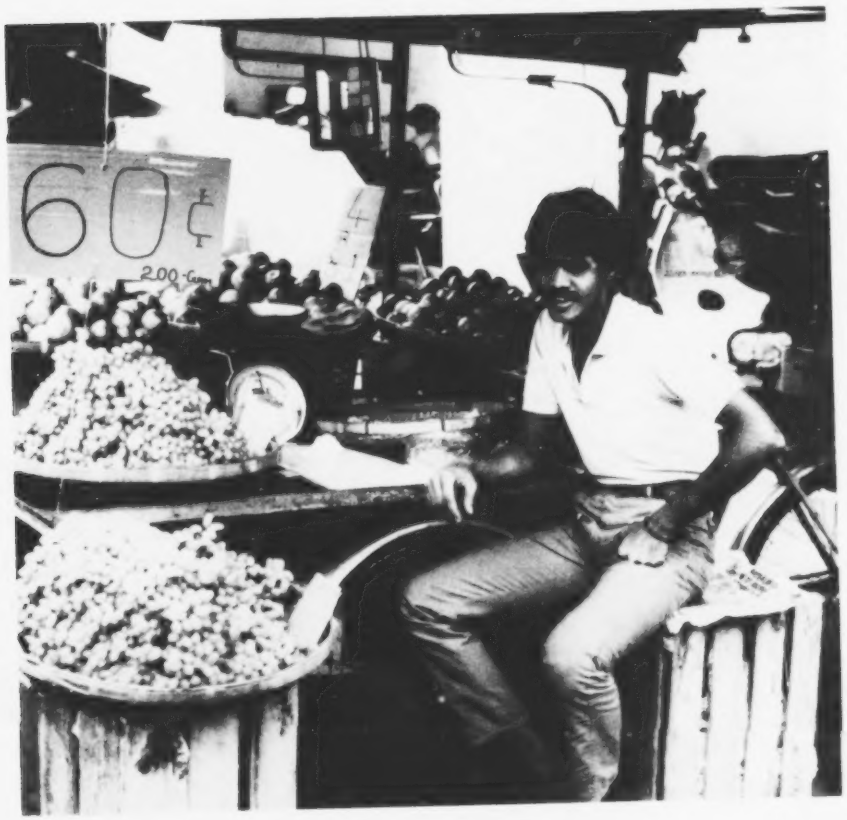
A. Last season, our exports to Europe reversed a five-year slide and began to show some renewed signs of life.

The lower dollar and a general boycott of South African grapes led to the increased interest in California grapes. Exports rose from 642 tons in 1984 to 2,026 tons in 1985/86.

Although we still have a long way to go to recapture market shares lost in Europe, last season's gains were a welcome beginning. Prospects for the immediate future also look very good in Europe.

Unfortunately, shipments to the Middle East failed to turn around. Despite lower prices and increased promotional activities, exports to Saudi Arabia and its neighbors fell for the fourth successive season.

When the Middle East economies were doing well a few years back, shipments of California grapes soared. However, the continuing worldwide oil glut has put these economies on shakier ground, and we found it harder to compete with the inexpensive grapes which are grown in the region, even though our quality is far superior.



In what was an excellent overall season for grape exports, this was the single negative development.

Q. How would you describe the typical growth market for U.S. table grapes today?

A. Generally, table grape exports are growing in countries that have stable, healthy economies. Because grapes are relatively expensive, many governments and importers consider them "unessential," which leaves them way down on the lists of required imports. For this reason, developing and third-world countries have not been good grape markets.

Q. Who are our biggest competitors?

A. It used to be that California's grape exporters enjoyed a marketing "window" in the autumn and early winter months. During this period there was little competition from other countries.

This is no longer the case. Worldwide grape production has risen dramatically—as has the emphasis many countries now put on exports.

California's "window" no longer exists. As a result, our growers are becoming more export-conscious. To compete successfully, we have to continue to provide the finest quality grapes available in the world. And we have to promote vigorously and effectively.

In Europe, we compete during the early season with fresh grapes from Spain, Italy and Greece. These grapes are heavily subsidized by the European Community, which makes the competition harder for us.

During the late fall and early winter months, competition is increasing from Southern Hemisphere producers, such as Chile, South Africa, Australia and Argentina. The growing seasons in these countries start earlier each year, and competitors, such as Spain, continue to improve their cold storage facilities.

So, competition is going to become even more fierce in the future.

Q. How many other U.S. states produce and export table grapes?

A. California produces about 97 percent of all fresh table grapes grown in the United States. The remainder is produced in Arizona. It is safe to say that virtually all exports of U.S. fresh table grapes are grown in California.

Q. How extensive have your market promotion activities been in recent years?

A. We have seen a real expansion. In the past three years we have begun significant new programs in Taiwan, Japan, Panama, the Middle East, Singapore and Malaysia. With the exception of the Middle East, each of these campaigns already has begun to pay big dividends.

In Panama, for instance, we began promoting table grapes on television and in local newspapers three seasons ago. Since then, each successive season has seen a new record for grape exports to Panama.

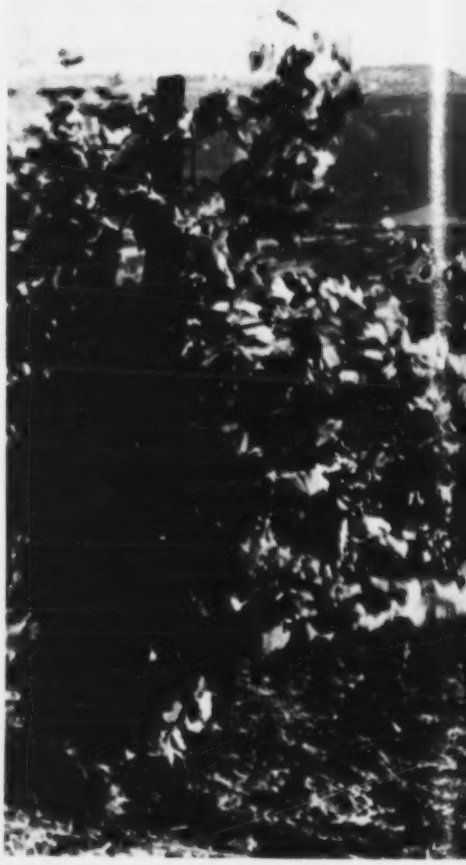
Our goal was to publicize the fact that grapes from the United States are available at times other than the traditionally strong Christmas season. Since our TV campaign began in 1984, our exports to Panama during September, October and November have doubled.

In Japan, where exports had long been sluggish, our new retail-oriented promotions have helped spur sales to record highs. We believe Japan is now on the verge of becoming a major U.S. grape market.

Q. What are your promotion plans for the future?

A. We plan to take full advantage of the current positive export environment by aggressively pursuing marketing activities worldwide. Our 1986 foreign marketing plan is our most aggressive ever, thanks in part to the increased funding we have received under the Targeted Export Assistance (TEA) program administered by the Foreign Agricultural Service.

The TEA money is intended to help the grape industry overcome the negative effects that European subsidies and other unfair trading practices have on U.S. grape exports. It has allowed us to launch a major promotional campaign in Japan, and to considerably strengthen most of our other existing programs.



As I mentioned, Japan appears poised to become a major factor in the grape export picture, and we're spending the largest portion of our TEA money there. The program targets both the retail trade and consumers, and it is the most extensive campaign we have ever undertaken.

In Hong Kong, a new program of in-store promotions with the increasingly important retail trade began earlier this year. This program complements our ongoing media advertising campaign in this crucial market.

In addition, this year will see a continuation—and, in many cases, an expansion—of existing market development programs in the Far East, Central America and Europe. However, we are putting our Mideast program on hold for the time being, at least until the market there becomes more promising.

Q. How would you describe the export outlook over the next few years?

A. Exports are going to become more and more important to California growers. As crops continue to increase, as imports continue to put pressure on our early and late-season crops, and as production in peak growing periods continues to prove too great for domestic demand, we must look more to exports to market our crop.

The immediate future certainly looks positive. All the conditions that led to our big year in 1985/86 are still in place, and we anticipate another banner year. Perhaps it may be even stronger since quality is reported to be better this season.

So, I would say the export outlook for U.S. table grapes is excellent. A favorable exchange rate certainly helps, but the strongest factor is that we have a product which is highly prized throughout the world. Foreign demand is growing, and that augurs well for the California table grape industry. ■

The author is Director of Advertising and Foreign Market Development, California Table Grape Commission, Fresno, Calif. Tel. (209) 224-4997.

U.S. Sweets Exporters Face Long Road in German Market

By Hilton P. Settle

West German consumers have a sweet tooth worth about $80 per person, but U.S. exporters who hope to cater to it should expect heavy competition from other European Community (EC) countries.

West Germany's per capita consumption of chocolate, candy, sweets, cookies and crackers, other snack articles and ice cream stands at about 51.3 pounds per person.

Per capita consumption levels were highest for chocolates, amounting to approximately 15 pounds per person. Consumption levels nearing 12 pounds were also reported for both candy and sweets, and cookies and crackers. These three food categories accounted for more than two-thirds of all 1985 snack food consumption in West Germany, and 77 percent of the money spent on snack foods.

Sweets Sector Highly Competitive

The sweets sector of the West German market is marked by stiff competition, which generally results in low prices on the domestic market, especially for chocolates.

Germany itself produced about 1.4 million tons of chocolate, candy, sweets, cookies and crackers, snack articles and ice cream in 1985, up 2 percent from the year before.

About 19 percent of total production, or 261,000 tons, is estimated to have been exported during 1985—an increase of nearly 18 percent over that of the previous year. The value of these exports increased 18 percent to almost $740 million.

Nearly two-thirds of the exports went to other EC countries, primarily France, the Netherlands, Belgium, Luxembourg and the United Kingdom. The remainder went to another 125 countries around the world, of which the United States and Switzerland were the most important.

At the same time, Germany also imports a sizable amount of sweets and snack items. Imports in this sector during 1985 rose nearly 9 percent to 280,000 metric tons. However, nearly 80 percent of the imports originated from other EC countries, reflecting the high duties that third countries generally face in exporting to the West German market.

Due to the heavy competition and relatively high import duties, U.S. companies interested in exporting these products should work with a potentially interested importer to obtain relevant market and tariff information.

While some shipments of chocolates and candies from the Unites States are taking place, the greatest potential exists in the snack foods area and in supplying raw materials to product manufacturers in this sector.

Germany imported 157,000 tons of raw ingredients, including nuts, dried fruits, fruit fillings, egg products, flavorings and spices in 1985. U.S. companies interested in exporting these products should contact the U.S. Agricultural Trade Office in Hamburg for lists of potential importers.

Annual Sweets Fair in Cologne

In addition, companies interested in this sector may wish to visit, or exhibit at, the International Sweets and Biscuits Fair which is held annually in Cologne.

A total of 15,500 trade visitors from 83 countries attended the 1985 fair, where 878 firms from 39 nations exhibited.

Exporters interested in participating in the International Sweets and Biscuits Fair in Cologne, West Germany, on Jan. 25-29, 1987, should contact:

Mr. Hannes Bucerius
Messe-und-Ausstellungs-Ges. m.b.H.-Koehln
Phone: (221) 821-22-14 or 821-29-02
Telex: 8873426 mua d
Cable: Intermess Koeln ■

The author is U.S. agricultural trade officer in Hamburg, West Germany. Tel. (011-49-40) 341-207.

Fact File: The Targeted Export Assistance Program

The Food Security Act of 1985 authorized a new export promotion effort called the Targeted Export Assistance (TEA) Program. Under the TEA program, the U.S. Department of Agriculture (USDA) uses surplus stocks from the Commodity Credit Corporation (CCC) to partially reimburse agricultural organizations for export promotion programs they undertake. The specific goal of the program is to help producers who are disadvantaged by the unfair trade policies of competitor nations. USDA gives first consideration for TEA programs to agricultural products which have been found, under Section 301 of the Trade Act of 1974, to have had their exports adversely affected by a foreign government's policy. The law requires USDA to spend at least $110 million in funds or CCC commodities for each fiscal year from 1986 through 1988.

How the Program Works

The TEA program is administered by the Foreign Agricultural Service (FAS) and funded through the issuing of CCC certificates under agreements between CCC and U.S. trade associations, state marketing organizations or private companies. These organizations conduct foreign market development projects for eligible commodities in specified countries. There are two basic types of TEA programs: a generic promotional program with nonprofit agricultural associations and state organizations, or a brand-identified or high-value promotional program with private U.S. firms.

Program proposals may be developed by FAS, trade associations or state marketing organizations. Once approved, program agreements are drawn up and signed by the participating organization or private firm and CCC. The TEA participant then submits an activity plan to FAS describing specific activities and proposed budgets, which are reimbursable with CCC certificates. These certificates may be redeemed for commodities from CCC stocks or sold.

When FAS approves the activity plan, the organization can request an advance of CCC commodity certificates equal to 40 percent of the dollar amount stated in the agreement. No further certificates are issued until the organization submits expense claims sufficient to offset the original advance.

Afterwards, certificates are issued on a reimbursement basis up to the dollar limit in the agreement.

TEA Programs in Operation

As of August 21, USDA has approved proposals for 18 TEA programs worth nearly $70 million. Activities financed by the programs vary from commodity to commodity. For example, a program to promote exports of U.S. wood products to Japan has financed the construction of a three-story wood demonstration building featuring advanced timber technology. The demonstration unit will provide the focal point for a promotional and technical program.

The goal of a promotion program targeted to Algeria is to promote exports of U.S. feed grains, soybean meal and dairy cattle to that country by helping the Algerians develop livestock and poultry production industries. The export assistance will be used to build model beef, dairy, poultry and sheep farms and a feedmill.

Some TEA programs have been in operation for several months and have already produced results. For example, the TEA program for canned fruit, approved in April, helped increase exports by the next month. U.S. exports of cling peaches to Japan during May exceeded exports for the entire previous season and pushed the yearly total for Japan 176 percent over last year.

A brief summary of each TEA program is presented below.

Potatoes: The National Potato Promotion Board is undertaking a $2-million program for frozen potatoes in the Pacific Rim countries of Japan, Hong Kong, Taiwan, Malaysia and Singapore.

California and Arizona Citrus: Private U.S. firms are participating in a TEA program totaling $8.5 million to promote California and Arizona fresh and processed citrus in the Pacific Rim countries of Japan, Hong Kong, Singapore, Malaysia, Taiwan, Korea and New Zealand.

Raisins: The California Raisin Advisory Board is conducting a $6.3-million promotion effort in Western Europe and Pacific Rim countries.

Walnuts: The Walnut Marketing Board is spending $9 million on market promotion in Western Europe, Japan, Taiwan and Australia.

Canned Fruit: The California Cling Peach Advisory Board is using $2.5 million to promote canned peaches and fruit cocktail in Japan and Taiwan in 1986 and has a $5.1-million program approved for Pacific Rim and Middle East countries in 1987.

Almonds: Qualified industry participants will receive $900,000 to promote almonds in Western Europe, Japan and Korea.

Wine: The Wine Institute is receiving $2.3 million to promote wine in Japan, the United Kingdom, Hong Kong and Singapore.

Wood Products: The American Plywood Association is spending $1.95 million promoting wood products in Japan in 1986 and has a $653,000-program approved for the United Kingdom in 1987.

Dried Prunes: The California Prune Board is receiving $4 million to promote dried prune exports to Western Europe.

Florida Citrus: The Florida Department of Citrus is spending $4.6 million to promote fresh and processed citrus exports in Western Europe and the Pacific Rim.

Feed Grains, Soybean Meal and Dairy Cattle: FAS and three organizations—the U.S. Feed Grains Council, the American Soybean Association and the Holstein-Friesian Association of America—will carry out a three-year, $9-million export market promotion program for feed grains, soybean meal and dairy cattle to Algeria. Funds will be used to develop livestock and poultry production in that country.

Poultry and Eggs: The USA Poultry and Egg Export Council will work on a $6-million program to expand poultry and egg exports to Pacific Rim and Middle Eastern countries.

Wheat: U.S. Wheat Associates will receive $1.1 million to expand wheat exports to developing countries.

Washington Apples: The Northwest Horticultural Council will use $1.4 million to expand exports of Washington State apples to the United Kingdom and Scandinavian, Pacific Rim and Arab Gulf countries.

Dry Peas and Lentils: The U.S. Dry Pea and Lentil Council will spend $2.5 million to expand exports of dry peas and lentils to the European Community, Colombia and India.

Table Grapes: The California Table Grape Commission will receive $350,000 to expand exports of California table grapes to Pacific Rim countries.

Feed Grains: The U.S. Feed Grains Council will spend $2.1 million to expand exports of U.S. feed grains and feed grain products (corn, sorghum, barley, corn gluten and malt).

For more information on the TEA program, contact: Beth Callanan, FAS. Tel. (202) 447-5521.

Hong Kong Is Tops At Cracking U.S. Shell Eggs

By Michael L. Humphrey

While most people think of Hong Kong as a small market, it is, in fact, the largest export market for U.S. shell eggs. In 1985, the United States exported over 7 million dozen shell eggs valued at $4 million for food use in Hong Kong. That market alone accounted for half of the volume and 40 percent of the value of total U.S. exports of shell eggs for food use.

Hong Kong consumers enjoy a variety of shell eggs, including fresh hen and duck eggs, dyed eggs for special occasions, eggs cooked in salt or tea leaves, pigeon eggs and preserved duck eggs. Fresh hen eggs, however, are the most popular item.

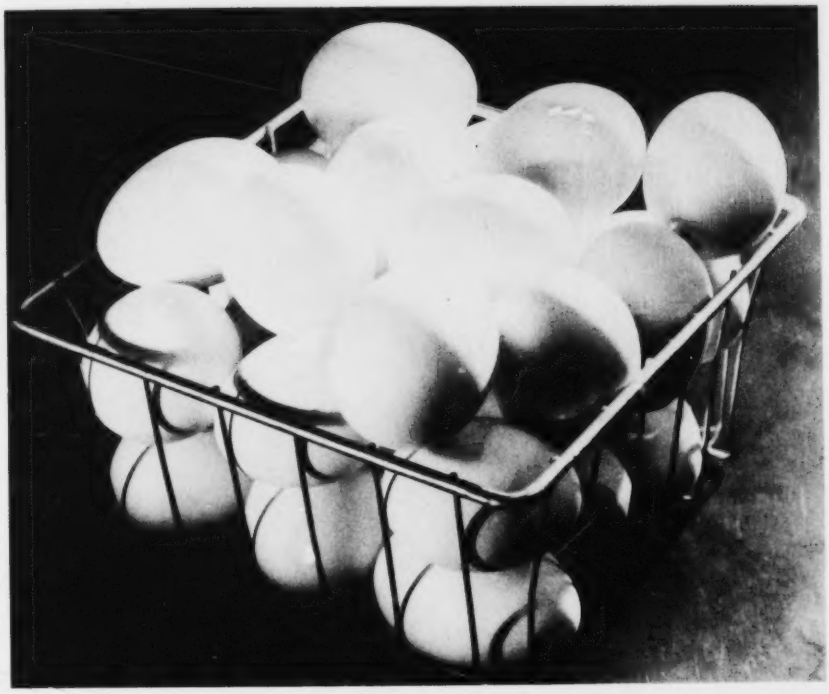
Each consumer in Hong Kong eats an average of 215 fresh eggs and 20 preserved or dyed eggs each year. According to Hong Kong import statistics, the territory annually imports more than 1.2 billion fresh shell eggs valued at $52 million. In addition, Hong Kong produces 4.5 million dozen hen, duck and goose eggs and 12 million dozen quail eggs annually.

Chinese eggs dominate the fresh egg market with more than an 80-percent share. Thailand became the second largest supplier in 1984, following a nearly eightfold increase over 1983 shipments. The United States is currently the third largest supplier with a 7.5-percent market share in 1985—up from 6.8 percent in 1984. Egg imports from the Netherlands also showed a dramatic increase in 1985.

Chinese Prefer Brown Eggs

The Chinese, who constitute 95 percent of Hong Kong's population, prefer brown eggs over white. In fact, 90 percent or more of the fresh eggs consumed are brown. The major outlets for white eggs are hotels, western-style restaurants and fast food shops.

Chinese consumers prefer the deeper color of brown egg yolks—often considered essential to the color of many Chinese dishes. Chinese-style restaurants also find that brown eggs are more popular with customers.



Chinese eggs have a unique odor that can be an advantage or a disadvantage, depending on the consumer.

To the Chinese consumer, the odor is indicative of a "good egg" and is an important reason, in addition to a price advantage, for the popularity of Chinese eggs. The odor, however, is a major reason why Chinese eggs are not accepted by hotels, western-style restaurants and fast food outlets.

U.S. Brown Eggs Fail To Compete

Virtually all eggs imported from the United States are white. This is due in part to the fact that the availability of European brown eggs at lower prices has made U.S. brown eggs uncompetitive.

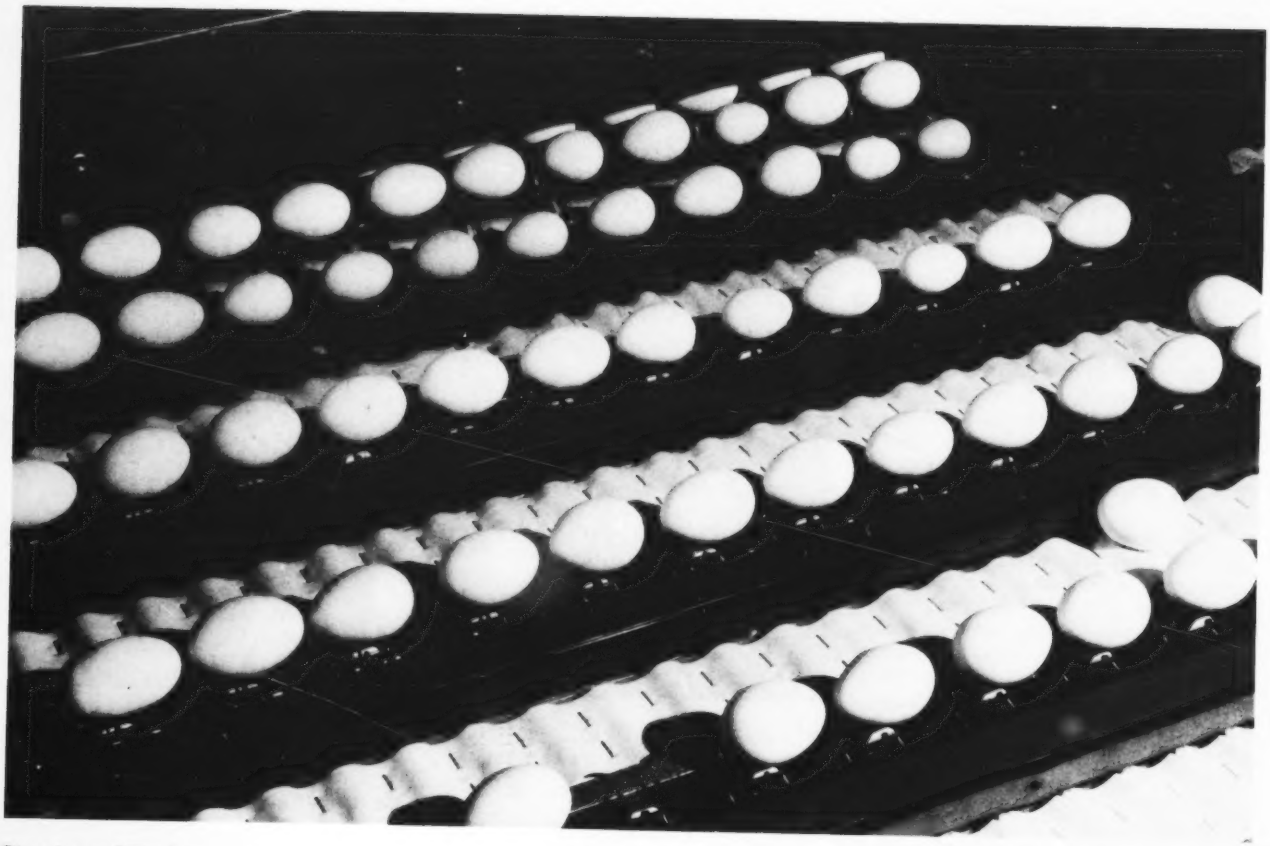
Packing and grading of U.S. brown eggs is also difficult because unlike U.S. white eggs, U.S. brown eggs vary markedly in size. Eggs from medium to extra large are packed in the same carton, resulting in frequent breakage of larger eggs. Wholesalers or retailers in Hong Kong also must sort the eggs by sizes, which creates extra work.

Importers point out that with alternative suppliers now available, U.S. brown eggs cannot compete without improvement in the method of packing.

In the white egg market, however, U.S. eggs have enjoyed a distinct advantage. Hotels, restaurants and institutions recognize the consistent high quality of U.S. eggs.

Another advantage is that U.S. eggs can be kept for a comparatively long time. The shipping time of 14 to 16 days from the U.S. West Coast, compared to 30 days from Europe, also has given U.S. white eggs a competitive edge.

However, U.S. white eggs now face growing competition from European eggs. The U.S. market share of the hotel and restaurant market dropped from 92 percent in 1981 to 58 percent in 1985, while the EC market share increased from zero to 28 percent in the same period. Because of this loss of market share due to subsidized competition, USDA recently announced an Export Enhancement Program to facilitate the sale of 44 million eggs to Hong Kong.



Structure of Trade

Hong Kong has about 15 egg importers. The largest is the Hong Kong Eggs and Products Company, which monopolizes the import of Chinese eggs, both fresh and preserved. Others import from different sources.

There are 42 wholesalers under the Hong Kong Eggs and Products Company. Wholesalers are located in three small areas in Hong Kong: Egg Street and Saiyingpun on Hong Kong Island and Kam Lam Street in Kowloon.

Retailers, hotels and restaurants all buy from these wholesalers although some hotels and supermarkets buy directly from importers.

At the retail level, eggs are sold through the wet markets, hawkers, grocery stores and supermarkets. About 70 percent of eggs are consumed in the home and the remaining 30 percent goes to hotels, restaurants, fast food outlets and bakeries.

Most eggs on the retail market are not refrigerated and customers are allowed to choose each individual egg and examine the product under light. Some of the U.S. large white eggs, however, are offered in one-dozen packs in air-conditioned supermarkets.

Major Suppliers Compete

Major suppliers to the Hong Kong egg market are making greater efforts to increase the competitiveness of their products in order to maintain or expand market shares.

To promote sales of Chinese eggs, the Chinese Eggs and Products Company recently held a "lucky draw"—a popular promotional activity in Hong Kong—with prizes in solid gold for winning retailers. Attractive posters are designed to promote both fresh eggs and preserved Chinese eggs.

The European countries apparently are trying to increase sales by maintaining low prices.

Although brown eggs continue to dominate the market, the rapid expansion of fast food outlets in the territory could help boost the demand for white eggs, making the prospects for shell egg imports brighter. ■

The author is the U.S. agricultural officer in Hong Kong.

Taiwan Holds Opportunity For U.S. Citrus Sales

By John T. Hopkins

Taiwan's imports of citrus fruits have been growing steadily over the past few years. But U.S. exporters will have to work hard to counter aggressive competition from other suppliers.

While oranges are Taiwan's most significant citrus import, it appears that grapefruit (most of it from the United States) will overtake orange imports in the next few years if trends continue. U.S. lemons are also popular in this market.

On a value basis, the United States supplied the bulk of Taiwan's citrus imports last year, accounting for approximately two-thirds of the oranges, nearly three-fourths of the grapefruit and virtually all of the lemons imported.

Grapefruit Shows Strong Growth

Taiwan's imports of grapefruit have shown the strongest growth among all citrus imports in the past four years. Taiwan imported more than 1,300 metric tons of grapefruit in 1985, about 17 times the level of only three years earlier.

Local production of grapefruit has also grown, reaching nearly 2,600 tons last year. Unlike oranges, locally produced grapefruit do not present much competition for imported fruit because of a short production season (October-December) and a taste that is slightly more sour than imported grapefruit.

Two or three years ago, grapefruit was almost unknown in Taiwan and the country itself produced only about 500 tons. But during the past year, sales have surged as the fruit was touted in newspaper articles as a "health" or diet food. The result has been nothing short of spectacular.

One importer has stated that two years ago he was importing only 20 40-foot containers a year. That number has grown to 30 each month. In general, most importers in Taiwan predict continued very strong growth for grapefruit this year.

Most of the imported U.S. grapefruit comes from California, with smaller amounts from Arizona and Florida. The type imported from the United States is primarily Ruby Red; South Africa's Star Ruby is considered to be tough competition for the U.S. variety and is backed by an aggressive marketing campaign by South African exporters.

The Florida grapefruit are famous in Taiwan for being slightly "ugly" in appearance (due to easy scarring), but very delicious in taste. Unfortunately, the Florida growing season comes a little too early in the year for Taiwan, and ocean freight is too high, according to importers.

Interestingly, the biggest competitor for grapefruit sales in Taiwan is not local grapefruit, but local watermelon, according to importers. In contrast to the United States, where grapefruit is associated highly with breakfast, grapefruit in Taiwan is considered a cool, juicy snack for summer afternoons, similar to watermelon.

This year, the local watermelon crop is expected to be bad because of untimely rains, which should encourage grapefruit imports.

Orange Output Surpasses Imports

Unlike grapefruit, local production of oranges far outstrips imports. Oranges are the only citrus fruit exported in significant quantities. Production of oranges and orange-like citrus (Valencias, satsumas and tangerines) accounts for about two-thirds of Taiwan's total citrus output.

Orange imports show a strong correlation to local production. Imports this year are expected to drop because of a very good local orange crop (up 18 percent from last year), as well as poorer crops and higher prices in the United States.

South Africa is expected to take a larger share of the market than in the past because of some new marketing techniques. For example, in the past, imports were paid for with local currency. This year, however, South African suppliers have agreed to share profits or losses with local importers and will cover up to one-half of any losses incurred, according to one importer.

South Africa supplies good-quality oranges similar to those from the United States, although last year's shipments

were considered too sour. South African oranges are lighter in weight and less juicy than those from the United States, but they are cheaper and reportedly have a longer shelf life.

Slow but Steady Lemon Imports

Lemons are not commonly used in Taiwan's cooking; most consumption is used in production of lemonade and similar drinks served at market stalls. Domestic production has been gradually decreasing while imports have shown a slow, but steady, increase. These trends are expected to continue over the next few years.

The United States has consistently held a larger share of the market (94 percent in 1985) for lemons than for any of the three types of citrus Taiwan imports.

Tariffs, Freight Are High

Fresh and chilled lemons, oranges and grapefruit all face 50-percent import duties (c.i.f.) in Taiwan, except during March 1-September 30, when the duties are reduced to 25 percent.

Increases in ocean freight rates are unnaturally magnified by tariffs because duties are applied to the c.i.f. cost of goods. Since last year, ocean freight on one container of citrus (West Coast to Taiwan) has risen from $3,000 to $3,500, according to an importer.

Prices for most citrus in Taiwan are now somewhat depressed because of heavy local production in 1985.

Non-Tariff Barriers Still Hamper Imports

Besides the 25-50 percent import duty, improvement in several other areas (on both the Taiwan and U.S. sides) could boost imports, according to several importers in Taiwan.

Importers must first apply to Taiwan authorities for permission to import a certain amount of fruits. The authorities can, and sometimes do, refuse permission to satisfy opposition from local growers.

According to regulations governing payment of import duties, smaller shipments of goods are allowed more latitude in discrepancies between what the invoice says the goods cost and what the authorities estimate they should cost.

This forces importers to break large shipments into smaller deliveries so that a 10-container order for citrus might have to be broken down into five deliveries of two containers each, on separate vessels, with separate documents, etc. This increases shipping and handling costs to importers.

Many local importers are forced to buy their fruit through U.S. West Coast middlemen because importers say that large U.S. suppliers are unwilling to ship smaller orders necessary to break into a growing market.

This system, along with the long shipping time between the West Coast and Taiwan, means that it takes three to four weeks for goods to arrive after orders are placed. This affects competitiveness and freshness of U.S. fruit.

Personal Contacts Are Important

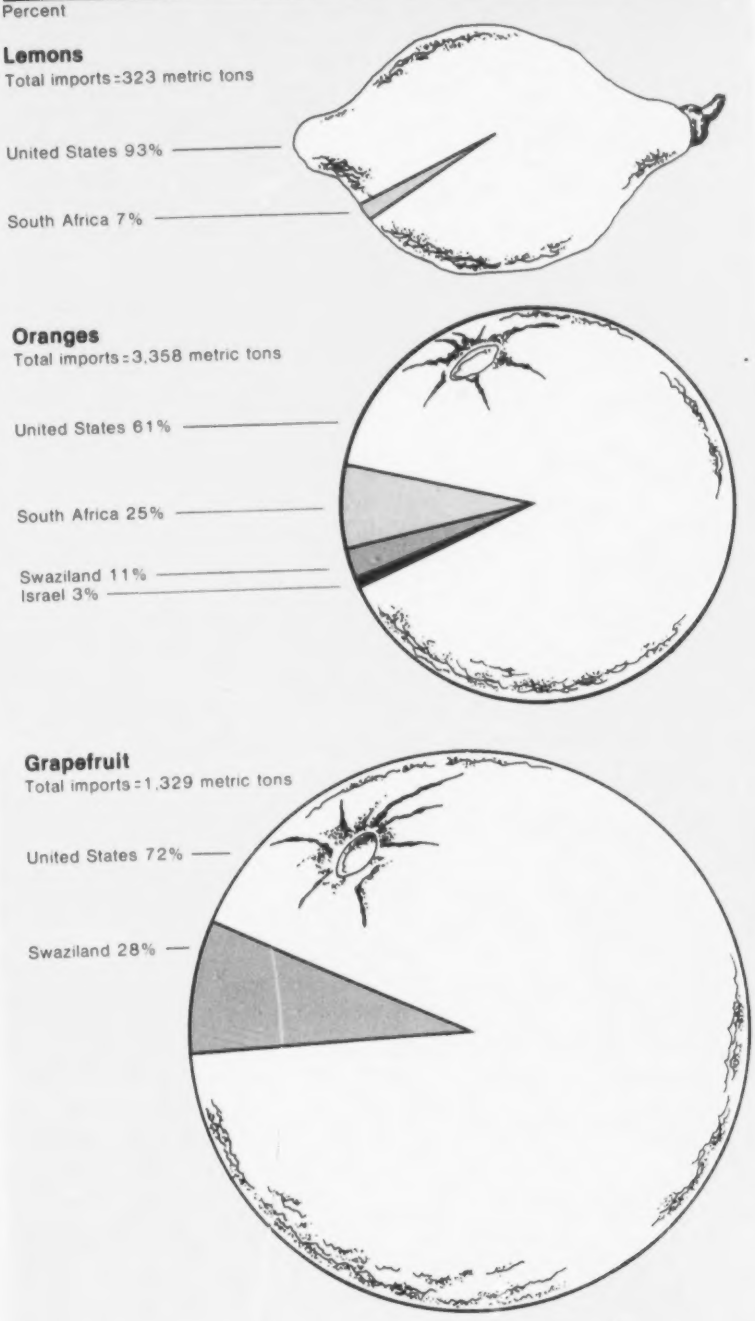
Personal contacts are very important when doing business in Taiwan. For example, representatives of Japanese and South African companies make frequent selling trips to Taiwan. These representatives work closely with importers, even the smaller ones, to supply fruit with taste and other characteristics suitable to the local market.

Local importers are interested in obtaining more information from the United States about the fruit available in different seasons from various areas, as well as the fruit's characteristics (juiciness, sweetness). ■

The author is chief of the agricultural affairs section at the American Institute in Taiwan in Taipei.

United States Supplied Bulk of Taiwan's Citrus Imports in 1985

Percent



Country Briefs

China

Wood Imports May Drop As Domestic Supplies Rise

Chinese wood imports could drop more than 10 percent in 1986. This decline—the first in seven years—is the result of increased domestic supplies, a high 1985 import level and reduced foreign exchange availability. However, China will be unable to attain self-sufficiency in wood over the next 15 years and the log import market is bright, especially for traditional suppliers such as the United States. The Soviet Union, Chile and Canada will continue to be the principal U.S. competitors. The outlook for lumber imports is unclear and increased market development work is needed in the processed wood products area.

The Chinese wood products sector is changing. The break-up of the state monopoly in charge of log purchasing and marketing has led to changes throughout the production, processing and distribution systems. The past year has seen an increase in free-market prices and in the volume of logs brought to market, especially from collective and privately run forests in the south and southeast. Excessive cutting continues to worry Chinese foresters, and the establishment of fast-growing tree plantations is a priority project.

Demand for wood in both urban and rural areas continues to grow despite restrictions on wood use in certain types of construction. The promotion of substitute building materials has been effective, but continued substitution will depend somewhat on relative price differences among wood, concrete, plastic and steel. Increased rural disposable income tends to be invested in new and larger housing. There probably will continue to be 9-10 million rural home starts each of the next five years.

Demand for furniture is also growing, as is demand for furniture inputs such as lumber, wood-based panels and veneer. Wood-based panel production is being emphasized because it uses wood wastes and is suitable for furniture.—*David Schoonover, U.S. Agricultural Counselor, Beijing.*

Hong Kong

Australia, New Zealand Try New Meat Packaging

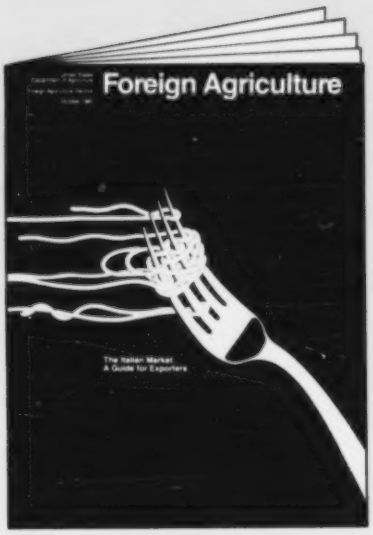
Sales of fresh meat from New Zealand and Australia have been given a boost in Hong Kong by the introduction of controlled-atmosphere packing. These meats were heavily promoted during June by Wellcome Supermarkets, the second largest supermarket chain in Hong Kong.

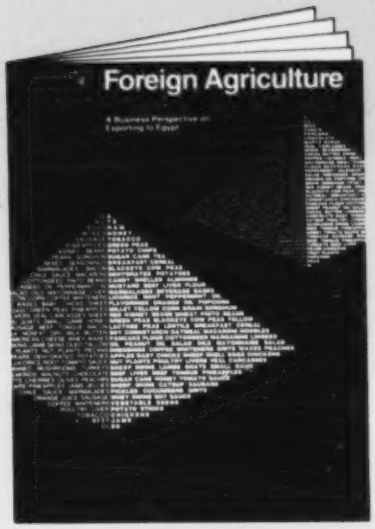
The controlled-atmosphere packing process involves hygienically sealing the meat in a bacteria-reduced package. The meat is dated and can be kept fresh for four to five days under refrigeration. These meats are particularly appealing to Chinese customers who generally prefer fresh rather than frozen meats. The beef, lamb, pork and poultry packaged this way are priced competitively with other fresh meats.

Beef and lamb from New Zealand and Australia can be flown in daily and packed locally for same day sales. While pre-packaged fresh meat will displace some frozen meat sales, it is also likely to displace sales from the fresh meat case. The availability of meats which can be kept fresh at home for several days should increase overall fresh meat sales in supermarkets.

The sale of controlled-atmosphere packaged beef in the major supermarket chains is not likely to have an immediate impact on U.S. beef sales. U.S. beef, due to its high price, is generally not available in these outlets. However, in the longer run, the freshness factor of these meats could enhance the quality image of Australian and New Zealand meats which have gradually been replacing U.S. beef in the Hong Kong market.

New Zealand beef, in particular, poses a growing threat to the position of U.S. beef in the restaurant sector. The possibility of using chilled containers for New Zealand beef would sharply increase New Zealand's competitiveness. Currently, ocean rates for U.S. beef compare favorably with ocean and air rates from Oceania, although air freight from the United States is higher. — *Michael L. Humphrey, U.S. Agricultural Officer, Hong Kong.*





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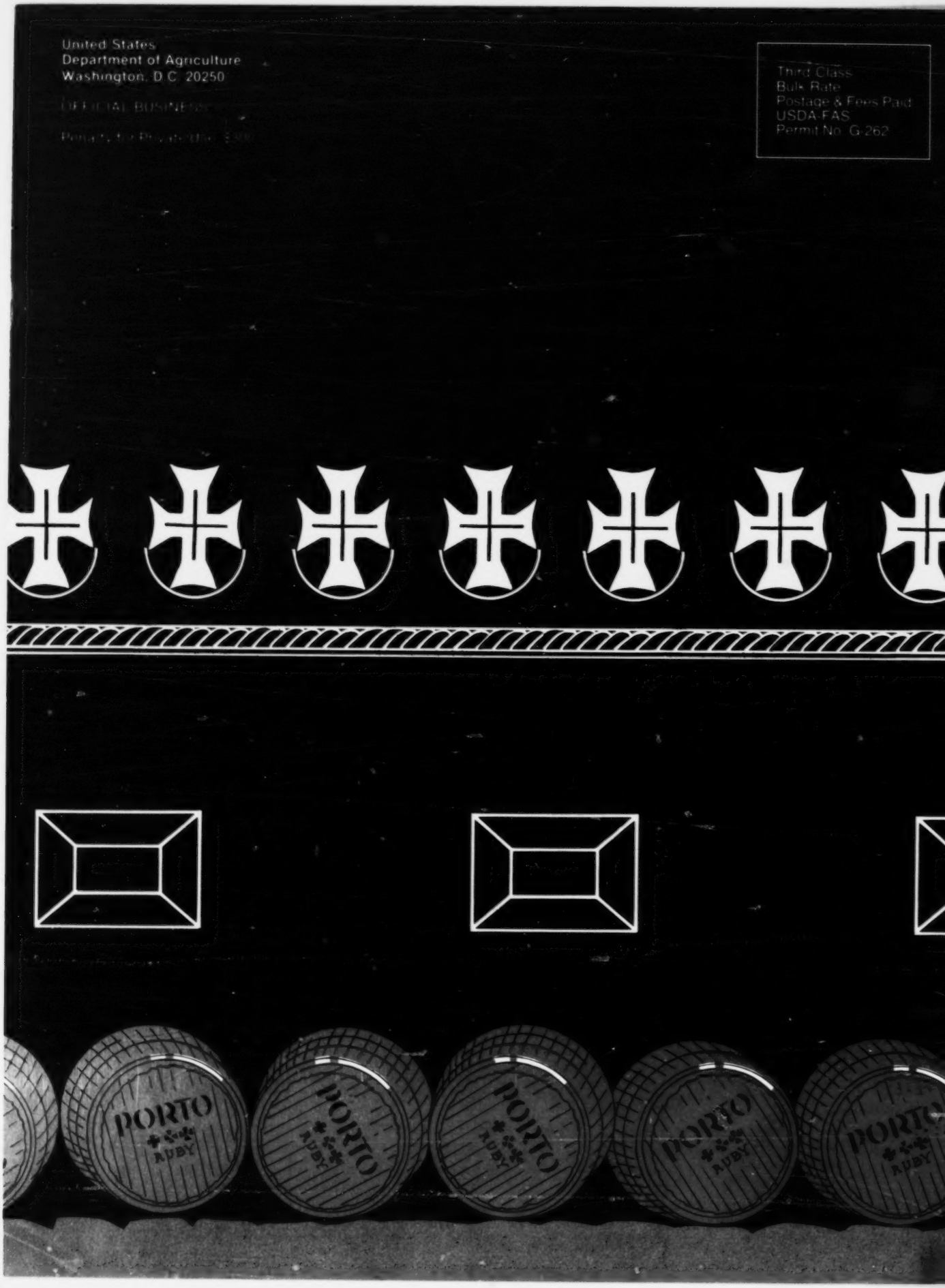

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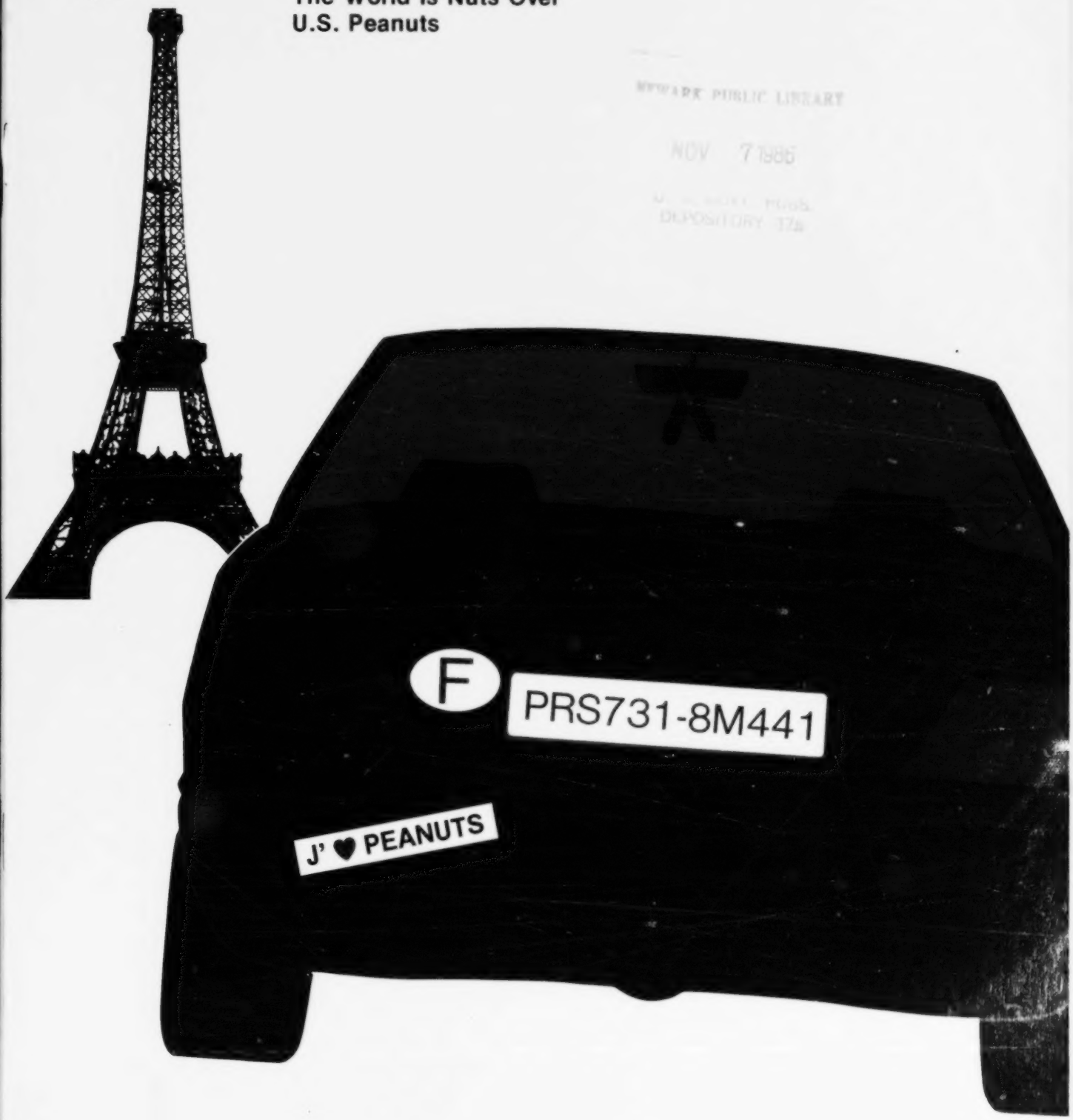

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Marketing News

Cooperators Hold Latin American Marketing Seminar

The **U.S. Feed Grains Council, U.S. Wheat Associates** and the **American Soybean Association** recently cosponsored their first Latin American Grain Conference in Caracas, Venezuela. The conference gave Central and South American grain buyers and government officials some insight into the workings of the U.S. grain marketing system. It also provided U.S. participants with an opportunity to assess promising areas for follow-up initiatives by the Council.

Participants from 14 Latin American countries discussed a number of topics, including grain marketing principles, futures purchasing, U.S. export credit programs, Federal Grain Inspection Service quality monitoring and certification procedures and grain quality.

First Embryo Transfer Seminar Held in Mexico

An international embryo transfer seminar and collection/implant demonstration, the first of its kind, was held in Queretaro, Mexico last spring. The event was jointly sponsored by the office of the U.S. agricultural counselor in Mexico City, the **Holstein-Friesian Association of America (HFA)** and a prominent Mexican dairyman. The seminar included training on embryo transfer procedures, implanting 10 frozen U.S. embryos of high genetic quality and identification of the need for and interest in future training in embryo transfer.

Soybean Association Hosts Successful Shrimp Seminar

Last summer, the **American Soybean Association** and the U.S. agricultural attache in the Dominican Republic sponsored a seminar on production of shrimp and prawns. The 125 participants included industry representatives interested in developing and expanding the Dominican Republic's shrimp and prawn industries. Development of these industries could increase the demand for soybean meal—a potentially important feed ingredient in the aquaculture industry.

According to the Association, the opportunities for increasing the use of feed for shrimp farming, and consequently the demand for soybean meal in the Dominican Republic are significant. Lack of financing and technical expertise are the main constraints. The large turnout at the seminar indicates great interest in developing the country's aquaculture sector. As this infant industry begins to grow, market development initiatives will be of even greater significance.

In 1985, 32 shrimp farms were operating in the Dominican Republic, representing a total area of 65 hectares. Fresh water shrimp production in 1985 was estimated at 248 tons, valued at $3 million. Production of marine shrimp in 1985 totaled approximately 83 tons from an area of 41 hectares.

Processed Foods Guidebook Available From Japan

Japan's **Ministry of Agriculture, Forestry and Fisheries (MAFF)** has released the "Guidebook of Japanese Agricultural Standards for Foreign Business" dealing with processed foods. The guidebook, written in English, outlines MAFF's new procedures for approving foreign processing plants to use the Japan Agricultural Standard (JAS) mark for selected products. Under the new system, foreign plants will be able to work with foreign testing systems that have been approved by MAFF to provide data certification under the JAS system. The JAS mark, roughly like the Good Housekeeping Seal, greatly enhances a product's salability in the Japanese market. Copies of the 25-page handbook can be obtained by writing to: Mr. Bessho, Consumers Economy Division, Food and Marketing Bureau, Ministry of Agriculture, Forestry and Fisheries, 1-2-1 Kasumigaseki, Chiyoda-ku, Tikyo 100, Japan.

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Managing Editor
Lynn K. Goldsbrough
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Design Director
Vincent Hughes

Writers
David Garten
Linda Habenstreit
Sally Klusaritz
Edwin N. Moffett
Maureen Quinn
Aubrey C. Robinson
Jennifer M. Smith

Associate Designer
Doug Weatherly

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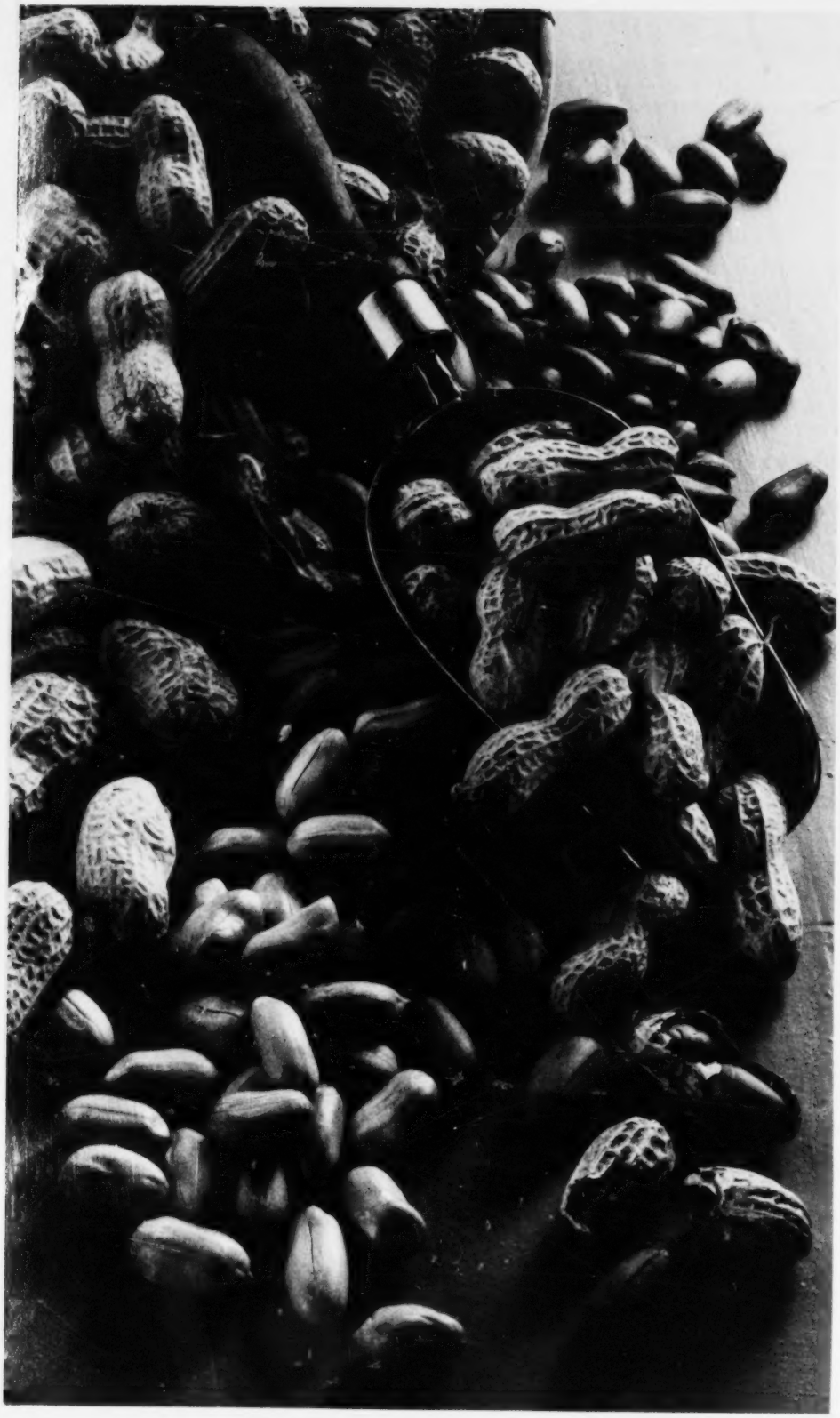
National Peanut Council Is Nuts About U.S. Export Promotion



By Jeannette H. Anderson

Most Americans grow up eating peanut butter and jelly sandwiches or munching hot peanuts at baseball games. But for much of the rest of the world, peanut butter is a mystery and peanuts are grown for cooking oil.

The National Peanut Council of America (NPCA) is working to change that by promoting U.S. peanuts and peanut products. This month, ***Foreign Agriculture*** *talks with Jeannette H. Anderson, international marketing director of the National Peanut Council, about the Council's market development efforts overseas.*

Q. Can you give us a brief overview of NPCA?

A. Our export market development program is supported through the contributions of state peanut grower associations in Georgia, Alabama, Florida, North Carolina, Virginia and Texas, as well as sheller associations which represent the Southeast, Virginia-Carolina and Southwest peanut producing areas. In addition, promotional support is received from USDA's Foreign Agricultural Service (FAS).

The Council is guided by an executive committee comprised of all the contributing grower and sheller groups. Headquartered in Washington, D.C., the Council monitors developments in the market which could affect U.S. peanut exports as well as maintains close relations with appropriate government agencies.

Our European office, recently relocated to London, maintains daily contact with the European trade. This office is responsible for monitoring ongoing projects and keeping the international industry aware of developments in the U.S. market. In addition, this office keeps the U.S. peanut industry apprised of the international competitive situation for peanuts.

Q. What are the goals of the Council's export programs?

A. The goal of the Peanut Council's export market development program is twofold: to demonstrate the unique role of the United States as a reliable producer and world market supplier of quality peanuts and to encourage the growth of international consumption of peanuts and peanut products.

We do not buy, sell or process peanuts. Our resources are devoted exclusively to international market development efforts on behalf of the membership.

The Council promotes exports of raw edible peanuts. Our markets tend to be developed countries with sophisticated food processing industries. We sell smaller quantities of peanuts that are crushed for oil, but the United States is the major peanut producing country that grows peanuts primarily for the edible market.

Most countries produce their peanuts for vegetable oil; in the United States, oilstock peanuts are those which are not used in manufacturing peanut products, such as salted nuts or peanut butter.

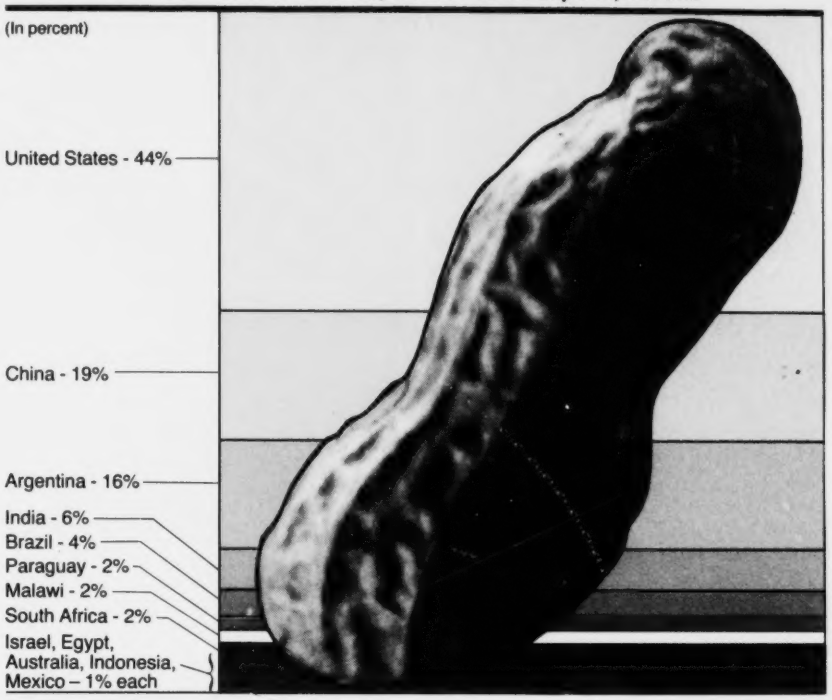
We're trying to produce a higher quality, higher value product, and we find our markets among international nut salters, confectionery users and peanut butter manufacturers.

Q. Does the Council promote both peanuts and peanut products as well?

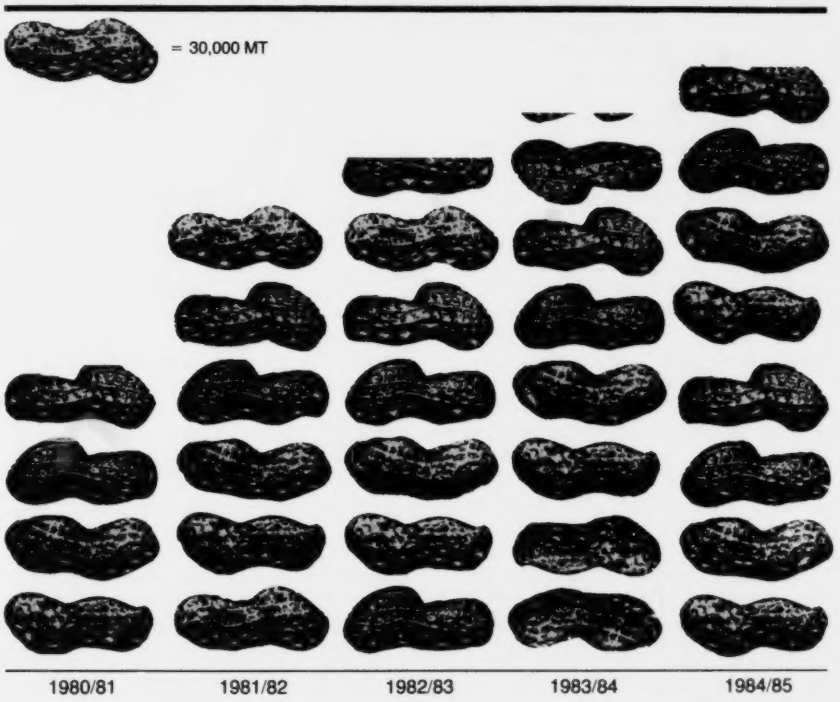
A. Because we're promoting raw peanut exports, our promotional activities overseas focus on expanding markets for all processed peanuts. We are very interested in introducing new peanut products.

For example, since this program has been active, one of the success stories has been the development of dry roasted peanuts in Europe. Until 1979 or 1980, dry roasted peanuts were not very well known in Europe, and we focused a lot of our attention on promoting that new product category.

United States Leads World In Shelled, Edible Peanut Exports, 1984/85



United States Increases Exports of Shelled, Edible Peanuts



With the increased popularity of honey roasted peanuts in the United States, we have begun several projects to try and introduce them overseas.

Unfortunately, peanut butter is still a new product in most of the markets we work in. While peanut butter is popular in Canada and has achieved a fairly significant market share in the United Kingdom, we're trying to launch it in several other European markets.

We are working with peanut processors in several countries to research and develop the peanut butter product that suits the taste preferences of their respective consumers. After all, they have the marketing channels of distribution and, frankly, it is not very economical to ship glass jars of peanut butter across the Atlantic Ocean.

Q. What is the size of the export market for peanuts?

A. Typically almost a fourth of the U.S. crop is exported. In 1984/85, U.S. peanut exports totaled 390,000 metric tons on an inshell basis. Domestic consumption has certainly increased in the past few years, but the export market has been a real success story.

This season's drought in the Southeast will affect us because over 60 percent of our peanuts are grown there. We had a short crop in 1980 because of a drought, but we don't expect a repeat of 1980 since this year's weather conditions have not been quite as extreme.

Q. What are the largest markets for U.S. peanuts?

A. Over 90 percent of our exports go to Western Europe, Canada and Japan. These developed countries have consumers with disposable incomes for snack foods. Developing countries in South America, Africa and Asia generally rely on their own indigenous peanut production rather than imports.

Our single largest market has usually alternated between Canada and the United Kingdom. In 1983/84, it was Canada, in 1984/85, the United Kingdom.

This year, the statistics will show the Netherlands as the largest destination for U.S. peanuts, not necessarily because of greatly increased consumption there, but rather because the Dutch port of Rotterdam is the one most widely used by the international peanut industry. Peanuts destined for other European markets are frequently warehoused in Rotterdam.

Also, the Netherlands has a large, well-developed processing industry. Many peanuts are processed there and then shipped to other countries. For example, a number of French supermarket chains with private label peanut brands have their products roasted and packed in the Netherlands and then shipped into France.

Q. What are some of the international marketing activities of the Peanut Council?

A. The heart of our program, and where we feel that the long-term potential lies, is working with the major processors—the brand leaders in our largest markets. We have a USA quality logo that many of these processors are beginning to use in packaging and advertising to identify the peanuts as being of U.S. origin.

We emphasize and market our product as being the highest quality peanut available. U.S. peanuts traditionally trade at a higher price than those of other competitors. Therefore, we must market our superior quality.

We've gone to the major markets, we've identified the brand leaders and we've developed cooperative relationships with them. We use our promotional program to introduce new products, to expand marketing activities into new areas, to increase the U.S. market share and to promote overall market growth.

We provide trade and technical servicing with a European regional office in London. We sponsor an annual program of technical seminars in Europe and, more recently, in Canada.

Under these programs, U.S. researchers and technical experts visit the markets and put on seminars geared toward production and resesarch personnel in these processing companies. This gives them an opportunity to ask questions and have the one-on-one contact to bring their technical problems to us.

We also bring the technical, retail and marketing people to the United States to view peanut harvesting techniques and processing methods. In this way, when U.S. peanuts arrive at their companies they know how the peanuts have been handled.

Over the long term, the heart of our program is the establishment of cooperative programs with the major users in our leading markets.

We have found that if the brand leaders begin to identify the U.S. origin on the packages and include that in their marketing efforts, other peanut processing companies will be encouraged to do the same because retail trade and consumers will demand the same quality. In short, if you want the best quality, you want U.S. peanuts.

Q. Tell me about one of your latest projects, a new French cookbook, *Les Recettes Aux Peanuts D'Hubert.*

A. This is a sophisticated cookbook which features peanut recipes that were developed by a well-known chef and restaurant owner in Paris.

The project was not specifically directed toward consumers but toward food editors, the food and restaurant trade and those in positions to influence consumers. The book was published in two languages and we're using it in France, England and Canada.

We've also received a number of requests for the cookbook from West Germany, the Netherlands and other markets, and are now considering translating it into other languages.

Our objective was to change the image of peanuts in France, where they are thought of as a snack product rather than a recipe ingredient.

Chef Hubert has hosted peanut recipe tastings in his restaurant and in London for food editors. The recipes have been enthusiastically received.

We also are distributing the book through processing companies, which are giving it to their contacts and retail customers. These companies also are utilizing the cookbook as a special consumer promotion or prize in their own promotions. Mainly we want to get it written about in the press so people are aware of it.

Q. What are some of the biggest obstacles you face in your work?

A. The biggest problem is the one that all agricultural commodities face—tough competition in the world market. China is our biggest competitor. The Chinese have become more interested in generating hard currency just as they've become more sophisticated in developing their infrastructure.

The Chinese are now the largest producer of peanuts in the world. They produce three and a half times as many peanuts as we do and can therefore be very selective in what is exported.

We have to keep a few steps ahead of them. We can do that through special promotional projects such as the cookbook, through marketing activities with brand leaders, and especially through trade servicing and personal contact—that's something that our competitors aren't in a position to provide.

Our technical seminars are an excellent example of the additional services we provide to customers of U.S. peanuts. We must compete on the basis of service and quality, so we have to keep looking to improve what we provide.

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Argentina is also a big competitor. Argentine producers and processors are becoming increasingly sophisticated. They've invested a lot of money in processing equipment for their mills. They're also working on expanding their production of different varieties of peanuts.

The challenge is to keep ahead of the competition and try to expand usage. There certainly are opportunities in all markets to expand per capita consumption. I think there are two equally important priorities—we want to expand the per capita consumption of U.S. peanuts and to continue to maintain our share of the markets.

"I think the United States is going to stay on top because . . . We have a superior product in terms of flavor and taste."

Q. Are there any other competitors?

A. India and Africa, which are large producers, present less competition these days. India, because of its tremendous need for vegetable oil, has had an export quota limiting exports. In Africa, drought and increased migration from farms to the cities and oil fields has cut into production of peanuts.

Q. What do you do to counter this competition?

A. We compete strongly on the basis of quality—superior flavor, superior shelf life, reliability of supply, prompt and dependable transport and service to the international industry.

Our marketing program also focuses on service. Our customers know we're here if they've got a problem. They can pick up the phone and speak with the exporter directly. We find that most of the major importers depend on the extra quality and service which they receive from the U.S. industry and are willing to pay a bit more for our peanuts.

Price competition is particularly difficult with China because commodities are traded through centralized government trading organizations which set prices. Chinese peanuts generally are priced below U.S. peanuts in order to move tonnage.

Q. What do you see as the future for peanut exports?

A. I think the United States is going to stay on top because of what we have to offer. We have a superior product in terms of flavor and taste. Most important of all, the industry supports ongoing research programs which are seeking improvement in a number of different areas.

We have seen U.S. peanut exports grow during the past five years and we expect this to continue. We are constantly seeking new markets and new product opportunities for the U.S. peanut industry and believe that there are opportunities for market growth in virtually all peanut importing countries.

We work closely with the agricultural counselors and agricultural trade officers around the world. They alert us to problems that come up and we get them involved in finding solutions.

They also assist us in developing our marketing programs. It's an extremely beneficial relationship. This cooperative U.S. government/industry approach to marketing agricultural products has been helpful to our industry and we expect it to continue to serve the U.S. peanut producers in the future. ■

The author is the international marketing director for the National Peanut Council of America, Alexandria, Va. Tel. (703) 838-9500.

British Tastes in Meat Are Switching to Poultry

By David Evans

A typical Sunday dinner of roast beef with Yorkshire pudding is gradually being replaced by poultry dishes in Britain. Changing consumer attitudes, particularly those based on health and price, are causing demand for all red meats in the United Kingdom to suffer while pushing up consumption of poultry.

Growing demand, prospects of continuing low grain prices and the emphasis by the health lobby on poultry meat are encouraging further expansion of British chicken production and consumption.

In addition, a hot midsummer boosted the market as demand took off for lighter meals, picnics and barbecues.

Innovative Marketing Boosts Consumption

Chicken's versatility and the ingenuity of distributors also are making a significant contribution to consumption.

One large store chain, in particular, has led the way with an ever-widening range of heat-and-serve chicken products, such as chicken tandoori, chicken supreme, cordon bleu, and Provencal-style chicken dishes. The chain's chicken Kiev has made an erstwhile star restaurant dish into a commonplace, everyday meal for anyone within reach of a store.

Even the fast food sector's main advertising thrust currently is on chicken nuggets, rather than hamburgers.

Accordingly, there is a growing trend away from three- to four-pound retail weight whole roast chickens towards pre-cut portions. In general, the whole-bird market is veering toward smaller sizes.

Poultry Sector Set for Growth

Given the widening price differential between chicken and other meats, poultry is the one sector of British agriculture that is set for continued growth.

This comes despite the European Community's (EC) Common Agricultural Policy (CAP), which provides fewer incentives and more handicaps (paying more for inputs such as grain) for poultry than most other agricultural sectors.

Protection from imports is provided more by technical and veterinary barriers than by the CAP itself.

Chicken Imports Are Up

U.K. chicken imports rose by 55 percent during the first five months of the year, all from within the EC. The current outlook for U.S. exports of poultry (and variety meats) is clouded by a number of technical issues, including the impact of the EC's third-country red meat directive, the growth hormones issue and continuing difficulty for U.S. poultry plants to qualify for eligibility to export to the United Kingdom.

Although chicken imports provide only 5-7 percent of the U.K. market, one of the growth points, corn-fed French chickens, could have longer term implications for the domestic producer and for U.K. cereal growers.

U.K. wheat is the mainstay of U.K. poultry rations, producing a white bird that is dryish in texture.

Turkey Output Also on the Upswing

British turkey production is also on the rise. The annual rate of increase in recent years has been about 11 percent. But there are more constraints on a continuation of growth than in the chicken sector, on both the production and consumption sides.

A major problem continues to be the seasonality of demand for turkeys, which inhibits the smooth flow of production and distribution enjoyed by the poultry industry. To minimize the seasonal distortions of production, frozen turkeys account for a much larger portion of the market than do frozen chickens.

Demand for smaller turkeys for the household market is growing, with large birds going to caterers. The main marketing thrust continues to be on 10- to 12-pound birds for holidays. Turkey for the catering and restaurant trade seems the best bet for further expansion.

Beef Consumption Getting a Hard Knock

Beef consumption in the United Kingdom is taking a hard knock form the "healthy eating" lobby and the effects of keen competition from poultry and pork. Very warm weather in June and July, coinciding with the seasonal upturn in U.K. and Irish beef supplies, is already affecting the market, but lower prices are failing to boost consumption.

Even cold weather last winter and spring did not help beef consumption. Meanwhile, the adverse publicity on so-called junk foods has begun to affect the burger sector.

More expensive cuts, such as roasts and steaks, suffer from competition from cheaper pork and poultry. Recent full-page press advertisements by a life insurance company for healthy eating showed as an example of bad nutrition a steak and kidney pie and french fries with the healthy meal's example a leg and breast of chicken and boiled potatoes.

Price Is a Factor

Thus far in 1986, beef prices have been consistently, though only moderately, above early 1985, whereas chicken and pork prices have been correspondingly lower than last year.

Demand for beef appears to be increasingly price inelastic except for products at the lower end of the market. Here, however, except for the mince (hamburger) sector, convenience is a limiting factor which increasingly inhibits demand for stewing and other long-cooking cuts. Retail price differentials, therefore, are widening between sirloin, filets, etc. on the one hand and stew beef and mince on the other.

Pork Recovery Is Slow

As with beef, the healthy diet lobby is also having its effect on the pork sector. Demand for chops and other grilling cuts and for roasts should remain steady, while the long-term slow decline in bacon consumption will continue as fewer cooked breakfasts are eaten and use of bacon and ham in other forms remains static. A relatively new phenomenon is the health lobby attack on semi-processed pork products such as sausages and pork pies.

A move by consumers away from traditional sausages and pies will seriously affect the market for heavy pigs. The industry is in a cleft stick. It has begun manufacturing all lean pork sausages, which are expensive and lack flavor and the traditional texture. These sausages, in general, do not appeal to the committed sausage eater, who is nevertheless deterred by the health lobby's propaganda.

In the pie sector, the pork fat is used to make the traditional pasty; if vegetable shortening is substituted, the taste and texture change and consumption declines in a market where lard already is out of favor.

Lamb Consumption Also on the Decline

Lamb consumption, overall, continues its slow downward slide. Along with other red meats, the diet and health issue is affecting lamb.

In addition, lamb faces a problem of lack of versatility. Large retailers are trying to diversify cuts and presentation, but they tend to be substitutes for other cuts of lamb rather than for poultry or pork. Lamb is also more expensive weight for weight. ■

The author is an agricultural specialist in the Office of the U.S. Agricultural Counselor, London.

Fact File

The General Agreement on Tariffs and Trade

Since 1948, the General Agreement on Tariffs and Trade (GATT) has been operated both as a forum for trade negotiations and a set of rules to protect concessions and promote fairer trade. Ninety-two countries now belong to the GATT. They account for over four-fifths of world trade.

In September this year, representatives of these countries met in Uruguay to launch a new round of trade negotiations to improve and expand the GATT's rules and to remove unfair trade practices.

Heading up the U.S. delegation is Clayton Yuetter, the U.S. Trade Representative. U.S. agriculture is represented by Secretary Richard E. Lyng. Commerce Secretary Malcolm Baldrige is representing the U.S. industrial sector. The U.S. delegation also has representatives from other federal agencies involved in international trade, as well as private sector advisors representing agricultural, service and labor sectors.

How GATT Came To Be

In 1945, the United States and Great Britain proposed the formation of an International Trade Organization (ITO) to oversee a comprehensive agreement on the conduct of policies governing international trade policy, investment, cartels, commodity agreements and economic development. As a complement to the ITO, 23 countries engaged in tariff negotiations with each other and drafted the General Agreement on Tariffs and Trade as a set of rules to protect the value of the concessions agreed.

In the end, only the GATT was approved. It was immediately amended in 1948 to include a number of the principles in the ITO. Other changes, most minor, were added in later years. The GATT now is essentially an agreement that member countries will not discriminate against each other (will grant each other most-favored-nation treatment), that tariffs will generally be the only form of import protection allowed and that tariff levels may be negotiated. Rules to protect tariff concessions include provisions on subsidies and on the exceptional use of import restrictions.

The United States led in the adoption of a rule in 1957 prohibiting the use of export subsidies, but the United States and others would not extend that prohibition to "primary products," including unprocessed agricultural products. Moreover, in order to use Section 232 of the Agricultural Adjustment Act to protect U.S. farm programs, the United States in 1955 asked for a waiver from the GATT obligation not to use import restrictions.

Other countries have also prevented the GATT rules from having an impact on agricultural programs. The European Community (EC), for example, uses variable levies on agricultural imports to raise their prices above domestic support levels. Variable levies were not foreseen when the GATT was drafted, and no agreement has been reached on which GATT obligations, if any, apply to them. The EC also has made aggressive use of export subsidies.

GATT Countries Begin Round Eight

The negotiations launched in September are the eighth round since the inception of the GATT. Previous rounds have taken place in 1948, 1949, 1951, 1956, 1960-61, 1964-67, and 1973-79. Negotiations take place in Geneva, Switzerland, where the GATT is headquartered, even though the opening session may be held elsewhere—Tokyo for the "Tokyo Round" and Punta del Este, Uruguay, for the current round.

Early rounds involved tariff cuts only. The 1960-61 "Dillon Round" was complicated by parallel talks to reach agreement on the common external tariff of the new European Community. The "Kennedy Round" from 1964 to 1967 was more ambitious in seeking across-the-board tariff cuts and a solution to the problems posed by the European Community's variable import levies for agricultural products. The most ambitious round to date, the "Tokyo Round," lasted from 1973 to 1979. Again, agriculture was the area of least progress. A number of "Codes" were agreed on to deal more effectively with nontariff policies such as government procurement, product standards and other technical barriers to trade, customs valuation, import licensing and subsidies; but problems peculiar to agriculture were left unaffected.

U.S. Agricultural Goals in Current Round

While U.S. agricultural exports have benefited significantly from some of the tariff concessions in past negotiations—e.g., the EC commitment to duty-free treatment for soybeans and soybean meal which allowed exports of these products to the EC to grow from close to zero in 1960-61 to over $2 billion in 1985—the United States would like the new round negotiators to tackle a fundamental agricultural problem: isolation of agricultural production from the market.

The United States would like GATT members to agree that a fair trading environment for agricultural products requires all countries to remove agricultural trade barriers and export assistance across the board. Agreement will depend, among other things, on the willingness of each country to provide essential farm income protection in ways that do not prevent adjustment of production and trade to the needs of the market.

The Groundwork Has Been Laid

The groundwork for the present negotiations was laid by the GATT Committee on Trade in Agriculture (CTA), established in 1982. After a thorough examination of agricultural policies, from commodity price supports and production subsidies to import barriers and export programs, the CTA concluded that negotiations should center on three broad areas:

—All quantitative and related restrictions on imports and exports, including variable levies, state trading and other measures, should be brought under more effective GATT rules.

—All subsidies, including all forms of export assistance, should be brought under more effective GATT rules. In the case of export assistance, two approaches should be developed: either improve existing rules, or develop a general prohibition with carefully drawn exception.

—Plant and animal health regulations and other technical barriers to trade should be subject to improved procedures to minimize their adverse effects on trade.

The U.S. position is aimed at achieving significant movement toward free trade. In the areas identified by the CTA, the United States is seeking commitments to apply no new import barriers and to phase out existing nontariff barriers. It also wants to freeze the present level of export subsidies and phase them out. And it wants greater international harmonization of food, plant and animal health regulations.

In addition, the United States is seeking improvements in the GATT dispute settlement procedures for all products, so that once trading nations have agreed on better rules, there can be assurance that they will be applied consistently and dependably.

Pacific Rim Is Ripe Market for U.S. Horticultural Products

By Jonathan P. Gressel

The Pacific Rim countries[1] took a big bite out of the U.S. horticultural products export market last year, buying $865 million in fruits and vegetables, or approximately one-third of total U.S. horticultural exports.

The region is a strong market for U.S. products, particularly oranges, lemons, grapefruit, apples, table grapes, melons, raisins, prunes, almonds, walnuts, canned and frozen sweet corn, frozen potatoes, wine and a variety of fresh vegetables.

FAS is working closely with organizations representing the U.S. horticultural industry and individual firms within the industry to jointly fund export promotion programs for a wide range of products.

Programs are underway in Pacific Rim countries for the promotion of almonds, apples, avocados, sweet cherries, fresh citrus and citrus juices, canned corn, table grapes, lettuce, papayas, canned peaches and fruit cocktail, frozen potatoes, raisins, walnuts and wine. In general, promotional efforts emphasize the high quality of U.S. fruits, tree nuts and vegetables.

[1]For the purpose of this report, the Pacific Rim countries consist of the countries of East Asia, the Indian subcontinent and Oceania. The eight countries reported on in detail in this article account for $829 million out of $865 million of U.S. horticultural products exported to the region.

Market Strength Lies in Growing Demand

The strength of the horitcultural products market in the Pacific Rim can be attributed to:

—Asian consumer demand for fresh, high-quality fruits, vegetables and tree nuts has contributed to growth in the various markets.

—In addition, the region contains some of the world's fastest growing economies, including Japan, Hong Kong, Singapore, South Korea and Taiwan, which provide a fertile environment for increasing demand.

Malaysia, which has experienced moderate economic growth, and Australia and New Zealand, which buy from the United States in their off season, have become steady markets for the United States over the last several years.

Japan Is Good Market

The United States has found a strong market for its horticultural exports in Japan, exporting $493 million there in 1985. Export opportunities will be aided by the declining value of dollar and tax reductions which should spur consumer spending.

After negotiations and pressure from the United States for greater access, Japan lowered some trade barriers which damage U.S. horticultural product export opportunities to this key market.

Negotiations have resulted in larger import quotas on oranges and orange juice, elimination of the import quota for grapefruit juice and the development of phytosanitary procedures which permit the import of a number of products.

Numerous barriers still exist including relatively high tariffs, strict phytosanitary regulations which prevent the import of U.S. apples and other deciduous fruits and, with respect to wine, an excise tax system that discriminates against a high-quality, imported product.

The U.S.-Japan Trade Agreement of 1984 has helped to relax several import quotas, especially for fresh citrus and citrus products. In 1985, Japan imported $203 million of fresh U.S. citrus.

Progress also has been made in overcoming some phytosanitary restrictions, as evidenced by the recent Japanese decision to allow the entry of fumigated U.S. in-shell walnuts.

The United States has a strong market in Japan for oranges, grapefruit, lemons, almonds, raisins, prunes, fresh strawberries, kiwifruit, grapefruit juice, grape juice, canned and frozen sweet corn, frozen and dried/dehydrated potatoes, fresh asparagus and wine.

Japan also can be a good market for onions, especially when the storage onion crop on Hokkaido Island is off as it was in 1984.

Many opportunities for export of U.S. horticultural products have been aided by a strong promotional effort which is jointly funded by FAS and industry. The U.S. government is continuing efforts to open this valuable market further through continued negotiations with Japan on a wide variety of products.

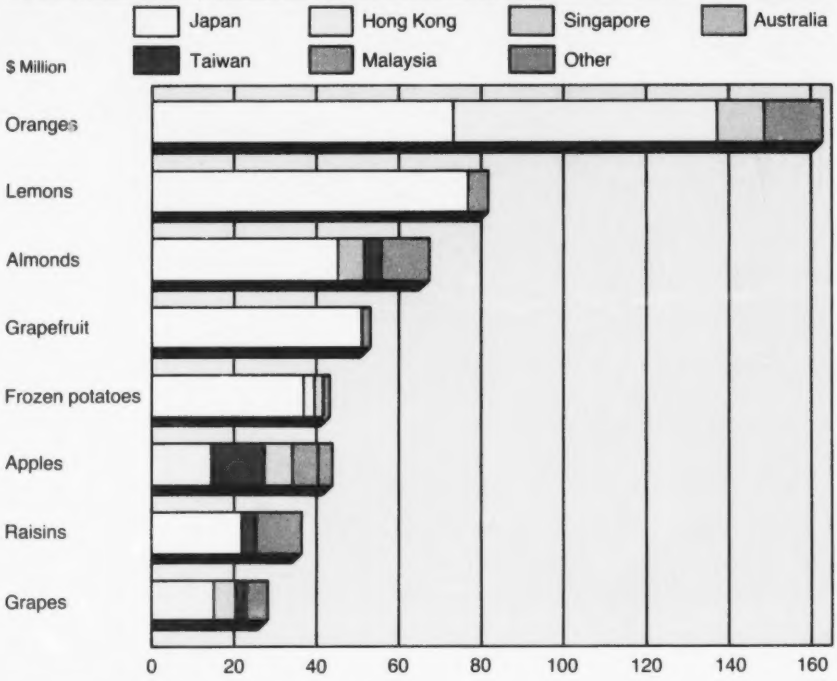
Hong Kong, Singapore Are Open Markets

Hong Kong and Singapore offer truly open markets for U.S. produce because of their free-trade philosophy and their reliance on food imports.

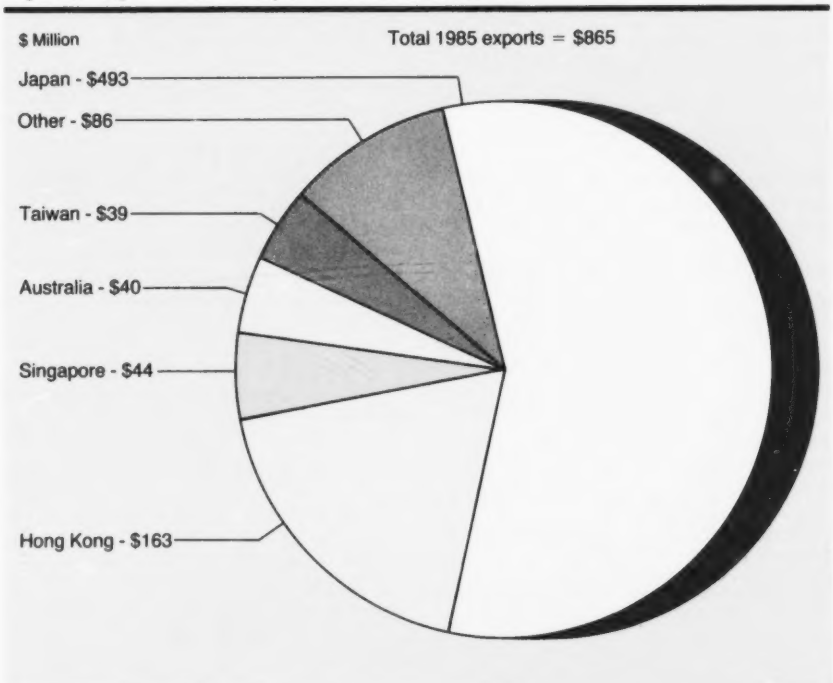
The predominantly Chinese populations in these countries demand high quality in both flavor and appearance. Yet, Hong Kong, through its network of street hawkers, also provides a good market for produce which may have been damaged in transit.

Hong Kong is the second largest U.S. produce market in the Pacific Rim, importing $163 million worth of fruits and vegetables in 1985. Singapore imported $44 million in U.S. horticultural products in 1985.

Where The Markets Are for U.S. Horticulture in the Pacific Rim



Japan Is Top Market for Exports of U.S. Horticulture



U.S. Promotion Efforts Target Many Commodities and Markets

Commodity	Japan	Hong Kong	Singapore	Australia	Taiwan	Malaysia	South Korea	New Zealand
Almonds	•						•	
Apples		•	•		•	•		•
Avocados	•							
Sweet cherries	•	•			•			
Citrus	•	•	•	•	•	•	•	•
Canned corn	•				•			
Table grapes	•	•	•		•	•		
Lettuce		•						
Papayas	•							
Canned fruit	•	•	•		•	•		
Frozen potatoes	•	•	•		•	•		
Raisins	•	•	•		•	•	•	•
Walnuts	•			•	•			

Hong Kong is a major market for fresh produce, including oranges, apples, grapes, plums, melons, celery, lettuce and tomatoes, but also takes significant amounts of raisins, figs and almonds.

Singapore imports a similar mix of fresh fruits including oranges, grapes, plums and, also, raisins, prunes and almonds.

In addition to importing horticultural products for their own consumption, Hong Kong and Singapore also play a major role in the re-export of goods to other countries in Asia.

A sizable portion of Singapore's imports are transshipped to Malaysia and other neighboring countries. In these markets, U.S. exporters face competition from China, Taiwan, Australia, New Zealand, Chile and South Africa.

Barriers Limit Exports to Taiwan, South Korea

Both Taiwan and South Korea have very restricted markets, although Taiwan is the largest offshore market for U.S. apples. Taiwan relies mostly on high tariffs to restrain imports. South Korea has constructed an elaborate import licensing system, as well as severe phytosanitary restrictions, such as those placed on U.S. grapefruit.

Both countries, with their strong, export-oriented economies, offer good opportunities for growth if trade barriers can be lowered.

Taiwan and South Korea imported $39 million and $16 million, respectively, of U.S. horticultural products last year. The major products exported to Taiwan were apples, grapes, frozen concentrated orange juice (FCOJ), oranges, canned cherries, canned sweet corn, raisins, prunes, walnuts and almonds.

Recent negotiations may lead to significant opportunities for increased wine exports to Taiwan. South Korea is a good market for raisins and almonds. However, most processed or high-value agricultural products are highly restricted.

Malaysian Market Shows Promise

Malaysia is an emerging market, importing $23 million worth of U.S. horticultural products in 1985. While the affluent Chinese minority provides a good market for a wide range of products, the Malay and Tamil ethnic groups may emerge as the market of the future as their incomes increase.

Malaysia has relatively few trade barriers. It has tried to discourage the practice of importing through Singapore by offering a tariff rebate on goods which enter directly into Malaysia.

Oranges, apples, grapes, raisins and potato chips are leading imports from the United States. Almonds, a relatively small market at $304,000 in 1985, may have growth potential.

Opportunities in Australia and New Zealand

Despite highly productive agricultural sectors, Australia and New Zealand provide markets for U.S. horitcultural products during their off seasons and for products which are not produced "down under".

Australia imported $40 million and New Zealand, $12 million, of U.S. horticultural products last year. Almonds, walnuts, oranges, lemons, kiwifruit, raisins, dried prunes, garlic and frozen sweet corn are the major items going to Australia.

New Zealand is a good market for oranges, apples, grapes, raisins, prunes, FCOJ and almonds. U.S. citrus exports to New Zealand may be hurt in the long run by the opening of the market to increased competition from Australian citrus. ■

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 447-6086.

Plan Now for Upcoming Trade Events

By Philip A. Letarte

With the recent decline in the value of the dollar on international markets, now is the time to consider introducing your firm's food products overseas.

The Foreign Agricultural Service (FAS) offers a cost-effective service for U.S. firms to explore foreign markets. FAS organizes U.S. national pavilions in major international trade shows throughout the world. A typical U.S. pavilion includes amenities such as individual booths, advance public relations, product shipment and customs clearance for the show. The trade leads and sales are up to you!

Here is some information on a few upcoming trade exhibits that might be of interest to you:

IFE Is British Exhibit

FAS will sponsor a U.S. pavilion at the fifth Biennial International Food and Drink Exhibition (IFE '87) on Feb. 1-5, 1987, in London. This exhibit will give 1,200 firms from 42 countries the opportunity to exhibit product lines to more than 43,000 buyers from Europe, the Persian Gulf countries, North Africa and Asia. Buyers will represent import, wholesale, retail, hotel/restaurant and institutional sectors.

For most of these trade shows, space is at a premium and on a first-come, first-served basis. In the words of one trade specialist, "there's no such thing as being too early."

International Food Show Calendar

Exhibit/City	Type	Products	Date
HORECAVA, Amsterdam	International	Food & Beverage	Jan. 5-8, 1987
ISM, Cologne	International	Sweets & Biscuits	Jan. 25-29, 1987
IFE, London	International	Food & Beverage	Feb. 1-5, 1987
SAUDIFOOD '87, Riyadh	International	Food & Non-alcoholic Beverage	Feb. 14-18, 1987
FOODEX, Tokyo	International	Food & Beverage	March 10-14, 1987
NASDA, Seattle	National	Food & Beverage	April 29-May 1, 1987
MIAD, Milan	International	Confectionery/Bakery	May 9-13, 1987
HOFEX, Hong Kong	International	Hotel & Catering	May 26-29, 1987
USIFS, San Francisco	International	Food & Beverage	June 9-11, 1987
DELIVIN, Utrecht	International	Wine & Deli	Sept. 13-15, 1987
ANUGA, Cologne	International	Food & Beverage	Oct. 10-15, 1987
AGCI .INA, Beijing	International	Agricultural & Equipment	Nov. 5-11, 1987
ISM, Cologne	International	Sweets & Biscuits	February 1988
MEFEX, Bahrain	International	Food & Equipment	Feb. 27-March 2, 1988
ROKA, Utrecht	International	Food & Beverage	March 1988
ALIMENTARIA, Barcelona	International	Food & Beverage	March 1988
FOODEX, Tokyo	International	Food & Beverage	March 1988
HELFEX, London	International	Health Foods	April 1988
FOODASIA, Singapore	International	Food & Beverage	April 13-16, 1988
Taipei, Taiwan	Solo	Food & Beverage	May 1988
KORFOOD, Seoul	National	Food & Beverage	June 1988
SIAL, Paris	International	Food & Beverage	October 1988

Products with good potential for the markets represented at IFE '87 include frozen food, wine and beer, delicatessen and fine food items, beverages, snack and dietetic products (such as syrups, sauces, cookies, snack bars and crackers), health foods, dried and fresh fruits, and new products and/or processes.

The U.S. pavilion at IFE '87 will have 25 booths. For details, contact Willis Collie, AIMS Program, FAS. Tel. (1-800) 327-2467.

SAUDIFOOD—Important for Mideast Sales

SAUDIFOOD, to be held Feb. 14-18, 1987, in Riyadh, will be the most important trade-only food show in the Arabian Gulf region. This show attracted more than 400 exhibitors from more than 30 countries last year. Last year's SAUDIFOOD attracted over 5,000 trade-only buyers searching for a wide variety of new product and suppliers. The U.S. pavilion at SAUDIFOOD '87 will feature 30 booths.

A Show You Can't Afford To Miss—FOODEX in Tokyo

Exporters interested in the fast-growing Pacific Rim market should mark their calendars for March 10-14, 1987. Those are the dates for FOODEX, the largest annual food and beverage exposition in Asia, which is held at the Harumi Pier in Tokyo.

USDA has reserved 55 booths for the U.S. pavilion at FOODEX. More than 1,000 firms from roughly 20 countries participated in last year's show. More than 120,000 visitors passed through the gates at FOODEX last year. Opportunities exist for sales of a wide variety of products.

For more information on SAUDIFOOD, FOODEX or any of the other exhibits listed below, contact the Processed Food Division, FAS, U.S. Department of Agriculture, Room 4944-S, Washington, D.C. 20250. Tel. (202) 447-3031.

Below is a partial list of some of the largest exhibits, many of which will have FAS participation. ■

The author is with the Processed Food Division, FAS. Tel. (202) 447-3031.

U.K. Marketing Guides Available For Fruits and Nuts

The U.S. agricultural trade office (ATO) in London recently updated six marketing guides for U.S. agricultural exporters interested in the British market for dessert apples, pecans, walnuts, almonds, avocados and mangoes.

Whether you're a new-to-market exporter, or have some experience in the U.K. market, these guides provide valuable information on imports, duties, marketing channels and a partial list of major importers.

The following is a sample of the kind of information available in these market guides:

U.K. Imports U.S. Red Apples

The United Kingdom imported roughly three-fourths of the apples it consumed last year. France supplied more than half of the 428,000 metric tons imported.

While most European and Southern Hemisphere apples shipped to the U.K. are gold or green skinned (primarily Golden Delicious and Granny Smiths), the United States exported roughly 10,000 tons of apples to the U.K. last year, primarily of the Red Delicious, McIntosh and Newtown varieties.

The peak marketing period for U.S. apples is December through June, although U.S. apples are available in the United Kingdom all year.

France and other EC apple exporters pay no duty on their apple shipments. Imports from other suppliers, including the United States, are subject to duties ranging from 6 to 14 percent of the c.i.f. U.K. value, depending on the arrival season.

U.S. export efforts for apples recently got a shot in the arm from a Targeted Export Assistance initiative announced this past summer. Under the initiative, $1.4 million is targeted for promotion of Washington State apples in several overseas markets. One of those targeted markets is the United Kingdom.

Most imported fruit is brought in by specialized fruit importers on behalf of major retailers. A few of the major food retailers buy direct from the supplier. At the retail level, fruit is available in supermarkets, department store food halls, greengrocers (fruit and vegetable shops), market stalls and street barrows. Fruit is sold both in loose form and pre-packed.

Commodity Marketing Boards Give Exports a Push

All the major U.S. competitors for agricultural sales in the U.K. market (Israel, South Africa, Spain, France, Canada and West Germany, for example) have commodity marketing boards based in London. These promotion boards work very closely with importers and retailers on product marketing and promotion.

These boards also have U.K.-based quality control inspectors who work directly with receivers on any quality, grade or other product discrepancies. Almost all imports are handled by a group of panelists (U.K. importers) chosen by the respective country marketing board. Only these panelists are entitled to import the product.

The country marketing boards work closely with both the panelists and retailers on product promotion. Activities include tailor-made promotions at the retail level, trade and consumer press advertising, TV and radio advertising, solo exhibits and participation in major national and international exhibits.

Similar Promotion/Handling for Avocados, Mangoes

The marketing channels for avocados and mangoes in the United Kingdom are similar to those for apples. Once again, marketing boards and panelists figure prominently. Israeli and South African avocados are handled by panelists, while U.S. avocados are handled by any U.K. importer who wants to import them unless the U.S. supplier establishes an exclusive agency relationship with any one importer.

South African and Israeli mangoes are handled by panelists. Mangoes from other suppliers are handled by any U.K. importer, again with the proviso that there is no exclusive contract with any one importer.

Major competitors for U.S. avocados are Israel and South Africa; for mangoes, the field is much wider, including Brazil, Kenya, Israel, Mexico, Guatemala, Mali, South Africa, Haiti and Venezuela.

Import duties for avocados and mangoes are 8 percent and 6 percent, respectively.

A Trio of Nut Marketing Guides

Exporters of U.S. almonds, walnuts and pecans will find the U.K. guides for those nuts a handy addition to their marketing portfolios.

The United States is by far the major supplier of almonds to the United Kingdom, providing more than four-fifths (9,500 tons) of the country's imports last year. The United States faces some competition form Spain and Portugal, which are both new EC members. The import duty on almonds from these two countries is being phased out. U.S. almonds have been charged a 7-percent duty; however, this is expected to be reduced in the near future.

The U.S. share of the U.K. walnut market is much smaller, less than one-tenth. China and India dominate the market, supplying roughly two-fifths and one-third of imports, respectively. The United Kingdom is one of the world's largest markets for shelled walnuts, although it is a relatively small market for in-shell product.

U.S. walnuts exports should benefit from a $9-million Targeted Export Assistance program announced for walnut promotion in Western Europe, Taiwan, Australia and Japan.

Pecans are relatively new to British consumers. But already the United States is the largest supplier, accounting for three-fourths of the market. Israel and South Africa are the largest U.S. competitors. The import duty for U.S. and Israeli pecans is 3 percent.

Almonds, walnuts and pecans are handled by importers/wholesalers, who in turn distribute them to retailers and processors. Similar to fruits, nuts are marketed in supermarkets, department stores and greengrocers.

The above U.K. marketing guides can be obtained by writing or calling:
FAS Export Programs Division
USDA
Room 4944-South Bldg.
14th & Independence Aves. S.W.
Washington, D.C. 20250
(202) 382-9509 or 447-3031. ■

Country Briefs

China

China Is Boosting Honey Production

China ranks second only to the Soviet Union in the production of honey. According to the Chinese press, 6 million bee colonies produced 150,000 tons of honey in 1985. China's target is to have 8 million bee colonies by 1990 with an annual honey output of 180,000 tons.

Increased emphasis on boosting production may be lowering product quality, however. Recent Chinese newspaper articles have urged honey dealers to update processing technology and packaging and to shorten storage and delivery time. Six modern honey processing facilities are under construction. When completed, these plants will have a combined yearly processing capacity of between 10,000 and 30,000 tons.

Honey exports in 1985 reached 54,790 tons, valued at $38.5 million, up from 37,700 tons in 1984. Major markets were Hong Kong, Japan, the United States and Western Europe. This year, exports are expected to climb to nearly 60,000 tons.—*David Schoonover, U.S. Agricultural Counselor, Beijing.*

France

French Hazelnut Output Expected To Swell

French hazelnut (filbert) production is expected to rise strongly during the next decade due to increases in bearing area resulting from large plantings in recent years. This increase likely will result in stiffer competition for Oregon hazelnuts on the European market.

In 1985, French commercial hazelnut production was 1,200 tons, up 350 tons from 1984. Agri-Noisette, a cooperative in southwestern France, controls most hazelnut production and is the sole French exporter of in-shell hazelnuts. Agri-Noisette produced 1,000 tons of hazelnuts in 1985, compared with 650 tons in 1984. Output handled by the cooperative is forecast to double by 1990 and triple by 1993.

During the past five years, Agri-Noisette has exercised strict control over hazelnut production and marketing in order to lower production costs and become a reliable supplier of high-quality hazelnuts. As a result of these efforts, Agri-Noisette hazelnuts have competed successfully with Italian hazelnuts on the West German market. Three-fourths of Agri-Noisette production are exported—mostly to West Germany—for in-shell consumption during the holiday season in December.—*Ernest Koenig, U.S. Agricultural Counselor, Paris.*

Korea

Leather Imports Continue To Rise

Korea has emerged as the world's leading importer of hides and skins with imports valued at over $600 million last year. Imports were up 46 percent during the first five months of 1986 and substantial growth is expected to continue over the next several years. Increased export demand for Korean footwear and leather goods has been spurred by a revaluation of the yen and some European currencies.

Finished leather imports also are increasing because the domestic tanning industry has been unable to keep pace with increasing demand despite rapidly expanding capacity. Finished leather imports from Europe have increased, reflecting the fact that more Korean leather goods are being exported to Europe, and consumer preference favors local origin inputs. All this will probably encourage continued expansion of Korea's domestic tanning facilities.

The United States is Korea's principal supplier of hides and skins, but is far behind Japan in supplying finished leather. In order to diversify import sources of hides and skins, the Korean government began to allow imports from South American countries such as Argentina and Uruguay last year. Imports from these nations had been prohibited due to foot-and-mouth disease. However, no significant imports have resulted, due to restrictions by these countries against exporting unprocessed materials. Imports of wet blues are likely to grow in the future since Korean tanneries are facing increasingly more stringent pollution control restrictions.—*LaVerne E. Brabant, U.S. Agricultural Trade Officer, Seoul.*

India

Potential for U.S. Livestock Exports To Increase

India is a potential market for U.S. high-quality livestock, frozen semen and embryos due to demand for more productive dairy cattle. Although Northern European countries are currently providing a large proportion of India's imports, the United States could successfully penetrate this market through the collective efforts of U.S. cattle breeding organizations.

Interest in imports of U.S. Holstein and Jersey cattle for commercial development has been generated recently by the low prices offered under the Dairy Termination Program. Herds of non-traditional breeds, such as Holstein-Friesian, Jersey and Brown Swiss, are maintained on Indian farms for production of bulls with high genetic merit. Market development activities needed include technical assistance and training programs, joint cattle breeding projects and possible donations of registered superior cattle for demonstration purposes. The Indian government also is increasing its emphasis on improved fodder practices, which could generate interest in U.S. cattle imports. This could create an opportunity for U.S. firms to work with Indian organizations to establish a large cattle and fodder farm.

India is importing semen to eliminate the need for a high proportion of non-traditional breeds of bulls and to provide easy servicing of India's large population of dairy cattle. Artificial insemination techniques are being refined with the help of various foreign assistance programs. The National Dairy Development Board has been successful in its efforts to use artificial insemination to improve dairy cattle quality. Although some research is underway in embryo transfer, currently there is only minimal interest in embryo imports.—*Garth Thorburn, U.S. Agricultural Counselor, New Delhi.*

Malaysia

Sluggish Economic Growth Hurts Wheat and Flour Market

The Malaysian wheat and flour market, which had been enjoying an average annual growth rate of 6-7 percent, is expected to decline this year due to the sluggish economy and an anticipated drop in wheat consumption.

According to flour millers, sales of biscuits suffered a decline for the second consecutive year and the demand for bread flour remains low. However, there has been a strong rise in the demand for buns from the fast-food sector and another bright spot is in the noodle industry, which accounts for 50 percent of the flour market.

Competition in the Malaysian flour market should remain strong as a fifth flour mill becomes operational during the last quarter of 1986. All major millers have been forced to reduce flour prices by giving generous rebates and—because of the sluggish economy—are having problems with debt collection resulting in curtailed credit and a negative impact on sales.

Competition between Argentina, Australia and the United States for the Malaysian flour market has been great and further changes are likely with more competitive U.S. wheat prices. Although imports have been declining, some future increase is possible as consumption is expected to improve in the coming year to at least the 1984/85 level. Prospects for U.S. wheat exports depend on the availability and price of Argentine wheat and the possible further deterioration of the Australian market share.—*Frank Tarrant, U.S. Agricultural Attache, Kuala Lumpur.*

Soviet Union

Over-Quota Farms To Receive Rewards

The Soviet agricultural newspaper "Sel'Skaya Zhizn" recently reported that Gosagroprom—the new, all encompassing organization responsible for the entire agro-industrial sector of the USSR—will reward farms that overfill their quota of grain and pulse production. The bonus grants these farms the right to purchase additional trucks, tractors and hard-to-find materials, such as cement and lumber.

The announcement came when the harvest was already underway, so little can be done at this point to boost production. However, it will help ensure that outstanding farms have access to equipment next year. Soviet farms are divided geographically into groups according to overall cropping conditions. Farms in Group I—considered the Virgin Lands—can buy an extra Kamaz-55102 truck in return for each 700 tons of grain produced over the quota. Group II farms in the Black Soils and high-yielding areas can purchase the same truck in return for each 500 tons of grain. Group III farms in the non-Black Soils and other marginal areas are eligible in return for each 200 tons above the quota.

Gosagroprom has also announced a sweepstakes for agricultural sales to the state. The prizes include 2,000 passenger cars and 3,000 buses. All prizes will be awarded in the first quarter of 1987.—*Thomas Hamby, U.S. Agricultural Attache, Moscow.*

El Salvador

Cotton Lint Imports Needed for Textile Production

El Salvador's domestic textile industry, in anticipation of lower production and reduced domestic availabilities, has solicited licenses to import 3,400 tons of cotton lint. El Salvador has traditionally been a cotton exporter and competitor of the United States in the cotton export market.

Domestic cotton production has declined steadily since 1977/78 and is now on the verge of disappearing. The 1985/86 crop was down 40 percent from the previous year. Consumption has increased continually and now averages approximately 14,000 tons per year. The 1986/87 crop is expected to be smaller because growers have requested licenses to plant only 16,769 hectares—down from 98,000 in 1977/78. Government efforts to revitalize the cotton sector have not been successful because most cotton is grown in conflict areas. In addition, low international prices for cotton lint have reduced profitability.—*Lloyd Harbert, U.S. Assistant Agricultural Attache, Guatemala City.*

West Germany

Consumers Now Prefer Healthier, Natural Foods

German consumer preferences are changing in favor of healthy, natural and high-quality foods, according to a recent survey of 50 large food caterers by the West German trade publication *Fast Food-Praxis.* The survey is considered indicative of certain changes in consumer tastes which are especially applicable to the hotel, restaurant and institutional food sector.

The caterers surveyed serve 500,000 meals a day. Two-thirds of them said that salads are their best-selling item, particularly when salad bars are offered to consumers. Other foods with an upward trend in demand are vegetables, steaks, potato products and ice cream.

Among beverages, dry wines led the preferred list with nearly two-fifths percent of all respondents noting a strong increase in demand. This was followed by mineral water, fruit juices and champagne. Half of the caterers responded that sales of sweet wines have fallen noticeably. At least part of this change in preference for dry wines can be attributed to the recent Austrian and Italian wine scandals.—*Hilton Settle, U.S. Agricultural Trade Officer, Hamburg.*

Bulgaria

Oilseed, Meal Imports To Be Up This Year

Bulgarian imports of oilseeds and oilmeal are expected to be up substantially for 1985/86. Soybean meal imports are expected to total 500,000 tons this year, up about 100,000 tons from the previous year. Sales of U.S. oilseeds have benefited from the expanded imports. Purchases of U.S. soybeans for 1985/86 delivery are more than double the previous year's level. Bulgaria has also bought about 50,000 tons of U.S. sunflowerseed, the first imports in many years.

The scorching 1985 drought in Bulgaria is estimated to have reduced oilseed output by 35 percent. Production should rebound this year if weather conditions are normal for the balance of the crop season. With a more normal crop, total oilseed import requirements will not likely be as high this year. The U.S. share of the market should increase, however, as the weaker dollar has made South American oilseeds and meal less competitive.

Although the shortage of hard currency will probably continue to be a major constraint, Bulgaria is committed to expanding its livestock industry. The American Soybean Association has active programs in Bulgaria aimed at both improving livestock nutrition and vegetable oil refining.—*Harlan J. Dirks, U.S. Agricultural Counselor, Belgrade.*

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